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Gorbachev's Visit: Farewell and Hello

By Don Oberdorfer and Lou Cannon

WASHINGTON — The talks scheduled to take place over lunch Wednesday on Governors Island in New York harbor will mark the end of the Reagan era in U.S.-Soviet relations and a passing of the torch to President-elect George Bush, according to U.S. officials.

ago, Mr. Gorbachev had decided to visit the United Nations in New York, Mr. Dubinin told the surprised Mr. Shultz in a hastily arranged Sunday evening meeting Nov. 13 in the deserted State Department, and believed it was "a good time to say goodbye to the president and hello to the vice president."

United Nations General Assembly on Wednesday morning. Mr. Shultz voiced optimism about that session as well, predicting, "The Soviet-American dialogue will go forward and, by mutual efforts, I think we can kill the Cold War."

American relations represented a "totally different picture" from the tense Cold War days. Mr. Gerasimov said that the superpower meeting would provide continuity in bilateral relations as the United States prepared to inaugurate Mr. Bush to succeed Mr. Reagan. "Continuity is the name of the game," he said.

China Sees Limit to Soviet Tie

By Nicholas D. Kristof

BEIJING — With a Chinese-Soviet summit meeting next year all but certain, the Chinese seem to expect not just an end to nearly three decades of quarrels but also the emergence of a broad network of commercial, diplomatic and academic links.

Mr. Deng, in an interview published Saturday, suggested that relations should improve but also cautioned that "the 1950s-style Chinese-Soviet relationship, built on 'comradship' and 'alliance,' is a thing of the past."

He is expected to make only general statements about the policies and intentions of the next administration. High-level incoming officials such as the secretary of state-designate, James A. Baker 3d, and the national security adviser-designate, Brent Scowcroft, will not be present.

Now, the Super-Spy Satellite

By William J. Broad

NEW YORK — The secret payload of the space shuttle Atlantis in the first of a new class of spy satellites that uses radar to peer through clouds and darkness, civilian experts on methods of military surveillance say.

In interviews, civilian experts said the quickness of the new satellite in gathering images would give the military a powerful tool to wage conventional and nuclear wars.

General George B. Crist, a Marine officer who just retired as head of the Central Command, said that 18 months of operating in the Gulf has opened new opportunities for United States military cooperation with Saudi Arabia, Bahrain, Oman and other Gulf states.

Kiosk

Pérez Leading Venezuela Vote

CARACAS (AP) — Carlos Andrés Pérez, a former president, was leading his major opponent by a substantial margin and appeared to be heading to victory in a presidential election in Venezuela on Sunday, according to exit polls.

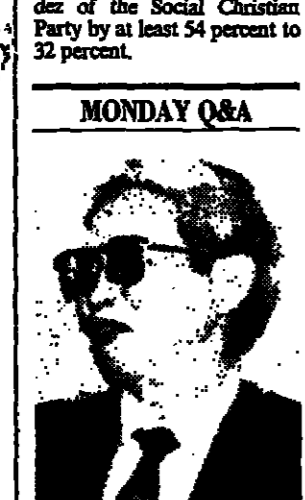
Additional significance was pointed out by William E. Burrows, director of scientific and environmental reporting at New York University and author of "Deep Black," a book about military satellites and space espionage.

John E. Pike, head of space policy for the Washington-based Federation of American Scientists, said that the new satellite had a host of "war fighting capabilities" since it could produce images so rapidly.

Under a revised strategy, General Crist said, American land forces backed by ships in the Gulf and the Arabian Sea and aircraft based in Saudi Arabia, Oman and other

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Tran Quang Co, the Vietnamese deputy foreign minister, discusses prospects for a solution to the Cambodian conflict. Page 2.



Tran Quang Co, the Vietnamese deputy foreign minister, discusses prospects for a solution to the Cambodian conflict. Page 2.

General News

EC leaders acted to avoid a clash over the U.S. denial of a visa to Yasser Arafat. Page 2.

Business/Finance

British Aerospace is considering cooperation with Thomson-CSF of France. Page 13.

Special Report

"Internationalization" is a near universal word in Japan today, but few agree on its real meaning. Pages 7-12.

NATO to Ask East Bloc For Huge Cuts in Arms

By Michael R. Gordon

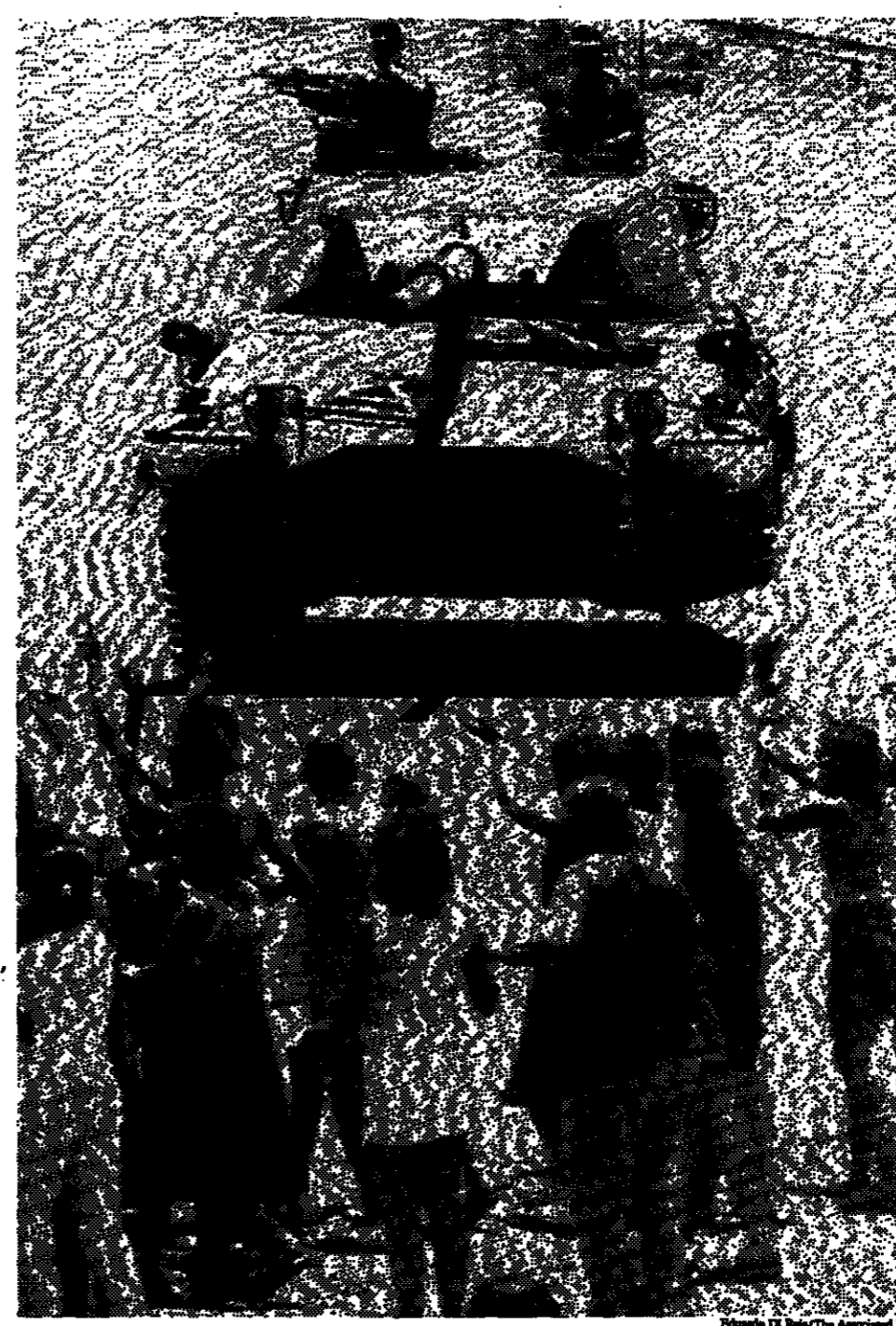
WASHINGTON — In planning for coming talks on reducing conventional arms in Europe, NATO nations are preparing a plan that would require Soviet-bloc nations to make huge cuts in tanks, other armored vehicles and artillery, according to American and West European officials.

In return, Western nations would make only small weapons cuts because the proposal is designed to eliminate Soviet advantages in heavy ground weapons.

U.S. Revises Plan to Defend Mideast Oil

By Richard Halloran

McDILL AIR FORCE BASE, Florida — The United States command responsible for American military operations around the Gulf has drastically revised its strategy for defending the oil fields of the Arabian Peninsula against Soviet or Iranian attack.



Argentine loyalists in tanks being greeted by civilians as they surrounded a rebel-held military depot.

Mutiny Ends in Argentina

Alfonsín Says Rebels Are Given No Concession

BUENOS AIRES — The Argentine government claimed victory Sunday night in a four-day showdown with army rebels. The rebels surrendered, and the government did not give in to their demands, spokesmen said.

"This has been a really important success," President Raúl Alfonsín said. "There were no concessions of any kind."

Independent news agencies at first reported that the army chief, Lieutenant General José Dante Cardín, had agreed to step down, which raised the prospect that other arrangements might be pending. But government spokesmen denied those reports.

Senator Antonio Berhonyar, chairman of the Defense Committee, said that the government did not negotiate on an amnesty, changes of human rights trials or "any claim by anyone."

President Raúl Alfonsín, whose elected government took over from a military regime five years ago, ordered the army to bring the rebellion to an end and called on the navy and air force to lend support.

The uprising was the worst threat to Mr. Alfonsín since his civilian government replaced a disgraced military dictatorship in 1983.

Until Sunday, the government had refused to negotiate with the estimated 500 rebels, who had seized an infantry school at the Campo de Mayo base, about 35 kilometers (22 miles) northwest outside the capital on Friday, then moved to another military installation.

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The Montreal Message: Overhaul World Trade

By Reginald Dale

MONTREAL — The world trading system, just over 40 years old, is showing signs of stress.

It has not yet reached mid-life crisis, though some fear that it risks doing so if not given proper attention.

But there is general agreement that the free trading system established after World War II, at the height of U.S. power, now needs a thorough overhaul.

If not, it is unlikely to be able to cope with the major uncertainties, and potential protectionist perils, that lie ahead.

Starting Monday in Montreal, the top trade representatives of 105 countries will try to give new impetus to the extraordinarily complex mission of updating the system to meet the needs of the 21st century, a process they began two years ago in Punta del Este, Uruguay.

Adding urgency to the task, in the view of many analysts and officials, is the risk that the industrialized world may be on the verge of dividing into three competing economic blocs, led by the United States, Japan and the European Community, to the at least partial exclusion of other countries.

At the same time, many free traders see the new U.S.-Canadian free-trade pact, due to enter force at the beginning of next year, as a warning sign that the world trading

system could collapse into a series of exclusive bilateral arrangements if acceptable solutions cannot be found multilaterally.

But the strains on the system are by no means all new. Since the 1970s, major importers like the United States and the EC have increasingly bypassed the system's official procedures to establish bi-

lateral arrangements, often with Japan on a "voluntary" basis, limiting market access for specific products.

Other, officially recognized preventive actions, such as the imposition of anti-dumping and countervailing duties to raise the price of imports, have proliferated.

International officials say the Montreal talks come at a critical juncture for world trade policy, as the Bush administration prepares to take office in the United States and the European Community par-

See TRADE, Page 5

In the Iran-Contra Arms Affair, Yet Another Controversy

By Bob Woodward and Walter Pincus

WASHINGTON — Amiran Nir, the former Israeli official who died in a Mexican plane crash Wednesday, said in June that a confidential Israeli-American agreement authorized still-secret counterterrorist operations that he and Colonel Oliver L. North supervised in 1985 and 1986.

Mr. Nir was interviewed for 13 hours on June 25 and 26 in London. He discussed some of his activities with the understanding that these were preliminary and "private" conversations.

Mr. Nir was a central figure in many aspects of the affair. He was cited by Colonel North as the originator, in November 1985, of the idea of generating profits from arms sales to Iran to fund other covert projects.

Mr. Nir represented Israel in negotiations with U.S. and Iranian representatives that led to three shipments of U.S. arms to Iran in 1986.

He accompanied the former national security adviser, Robert C. McFarlane, and Colonel North on their secret mission to Tehran in May 1986. Mr. Nir said in the June interview that Mr. McFarlane failed to improve and take advantage of the meetings, that "50 percent" of that trip "is not known."

Mr. Nir and Colonel North planned and carried out at least two secret joint operations outside normal intelligence channels. These were "only part" of their covert activities, Mr. Nir said, adding, "There is much more."

Mr. Nir arranged for Iranian help in releasing the Reverend Lawrence C. Jenko, an American hostage. On July 29, 1986, within days after Father Jenko was released, Mr. Nir briefed Vice President George Bush and his chief of staff, Craig L. Fuller, in Israel on the need to respond to the release by shipping arms to Iran.

Mr. Peres denied he had concluded an agreement on secret counterterrorist operations. The Associated Press reported from Jerusalem. In Washington, Secretary of State George P. Shultz said that to his knowledge there was no such agreement.



Amiran Nir

Handwritten Arabic text: صكنا من الأصل

The Cambodian Knot: Some Vietnamese Solutions

Before Foreign Minister Qian Qichen of China started his three-day meeting in Moscow, he said that Cambodia was the main obstacle to a Chinese-Soviet summit meeting, China and the Soviet Union announced on Friday that such a meeting would be held in 1989. In Hanoi on Friday, Tran Quang Co, Vietnam's deputy foreign minister and a Cambodia specialist, discussed the interlocking relations between Vietnam, the Soviet Union, China and Cambodia with Michael Richardson of the International Herald Tribune.

Q. Are China and Vietnam moving closer together on terms for a mutually acceptable political solution of the Cambodian conflict?

A. There are two keys. We have the key to withdrawal of Vietnamese forces. China has the key to preventing a Khmer Rouge comeback. So we have to narrow our differences. We would like to have direct talks with China to find a compromise. For example, China recently asked that Vietnam put forward a more detailed timetable for a more rapid pullout. But we would also like China to be more flexible and realistic on cessation of military aid to the Khmer Rouge.

We do not want to create a difficult situation for China. We are not asking only

China to halt assistance. We are proposing that every country, including Vietnam, would have to stop military aid and support for every Cambodian party, including the People's Republic of Kampuchea, the PRK. That is an equal and fair proposal.

Q. Is Vietnam ready to permit an international peacekeeping force to enter Cambodia, perhaps for a specified period, to facilitate the early stages of a cease-fire and

MONDAY Q&A

political settlement? What is the attitude of the Vietnam-supported PRK government in Phnom Penh?

A. This is another issue where differences remain between us and China. We believe it is necessary to have an international commission for control and supervision in Cambodia. But we are not yet convinced that it is necessary to have a foreign military force to keep the peace inside Cambodia after our troops leave. We think it preferable to let the Cambodian parties decide what to do.

However, Vietnam and the PRK believe that whatever form is chosen must respect the sovereignty of Cambodia's administration and only report violations of the cease-fire agreement to the administration, not directly settle them.

Q. There is another major point of difference with China over power-sharing be-

tween the PRK and its Cambodian opponents, including the Khmer Rouge, in a political settlement. Is Vietnam prepared to be flexible over the plan endorsed by China for an interim government of national reconciliation and an army drawn from all four contending groups in Cambodia?

A. We have no voice on that question. It is an internal problem for the Cambodian parties to discuss and agree among themselves. We will respect their decision.

Q. Do you think it is helpful that the Soviet Union and China are discussing detailed terms for a Cambodian settlement? Would it not be better for Vietnam and China to have bilateral negotiations?

A. China and the Soviet Union are two big powers in Asia. An improvement in their relations would improve the chances of peace for the whole region. That is something to be welcomed.

Q. Is there any risk that the Soviet Union, which wants to normalize its relations with China, may do so at the expense of the national security interests of Vietnam in Cambodia?

A. I don't think so. We trust fully our friends in Moscow. Mr. Gorbachev has more than once solemnly declared that improvement in relations between the Soviet Union and China will not be at the expense of third countries.

Q. What are the prospects now for a settlement of the Cambodian conflict?

A. We think that Cambodia, under the able leadership of the PRK, is on the way to being able to look after its own security. So we are ready to withdraw all our troops from Cambodia, even without a political solution, by the end of 1990. If there is a political solution, we have offered to pull out by the end of 1989 or early in 1990.

Q. Will Vietnam withdraw if there is no guarantee from China and Thailand that aid to the Khmer Rouge and other resistance groups will stop?

A. We would prefer a negotiated solution to the Cambodian problem. But that depends on China and Thailand agreeing to stop their aid, especially to the Khmer Rouge. We think that without continued military support from outside, the PRK forces will be able to deal with the remaining Khmer Rouge.

Q. If the Khmer Rouge reasserted control in Cambodia, would Vietnam stand by and do nothing?

A. I don't think Vietnamese troops, having left Cambodia, will go back again. Once is enough. We are a poor country. The only way to get a durable peace in Cambodia is through a negotiated settlement. Such settlement is important for stability in Southeast Asia.

Bhutto Picks 3 Seasoned Outsiders in First Cabinet

Reuters

ISLAMABAD, Pakistan — Prime Minister Benazir Bhutto appointed her first cabinet on Sunday, bringing in three seasoned outsiders to make up for the lack of experience in the ranks of her Pakistan People's Party.

A group of special advisers to the prime minister with ministerial rank included a former central bank president, V.A. Jaffrey, and a retired diplomat, Iqbal Akhund.

Pakistan's longtime foreign minister, Sahabzada Yaqub Khan, who served under the former president, Mohammed Zia ul-Haq, also agreed to stay on.

Miss Bhutto, 35, named 23 ministers, ministers of state and special advisers, all of them men. They were sworn in by the acting president, Ghulam Ishaq Khan, and held their first cabinet meeting.

The minister of state for information, Javed Jabbar, said Miss Bhutto kept the portfolios of finance, defense, education, planning and petroleum to herself for the time being but would probably add to her cabinet.

Drug Ministry Planned

Richard M. Weintraub of The Washington Post reported earlier from Islamabad:

Miss Bhutto says she will set up a new ministry to fight the growth, distribution and use of drugs, a step expected to be highly welcomed by the United States.

On Saturday, her first full day as prime minister, Miss Bhutto also moved to fulfill her promise to right injustices under the martial-law government of the previous president, Mohammed Zia ul-Haq.

She announced a range of measures to reduce or cancel prison terms for several categories of prisoners. Hundreds of prisoners would be released immediately, she said, and hundreds of others would have their prison terms reduced.

In an impassioned response to a question at her first news conference as prime minister, Miss Bhutto said that narcotics was "the No. 1 national issue."

"It must be controlled," she said. "It is an issue of the youth of Pakistan, the future of Pakistan. I have personally seen families that have been destroyed because their children have been on heroin."

Pakistan's North-West Frontier Province is a major growing area for poppies, from which heroin is produced, and also serves as a conduit for opium produced in Afghanistan. It is one of two primary regions from which heroin reaches the United States and Western Europe. Washington has pressed Pakistan for years to step up its fight against heroin.

Pakistan itself has begun to suffer a growing problem with drug addiction, with hundreds of thousands of addicts nationwide, compared to a handful 10 years ago.

On foreign affairs, Miss Bhutto stressed that she was determined to avoid major changes. She underscored this by saying that she had asked Mr. Yaqub Khan to stay on as foreign minister.

Miss Bhutto said that she hoped to strengthen ties with the United States, which she thanked for the "moral support for the restoration of democracy" in Pakistan.

Repeating previous pledges, she said there would be no change in Pakistan's support of Afghan guerrillas in their drive to force Soviet troops from Afghanistan.

Miss Bhutto acknowledged that Pakistan had deep economic troubles and said a decision would have to be made quickly on whether her government would endorse a reform package negotiated with the International Monetary Fund by the Zia government.

The agreement would provide about \$1 billion in new funds for Pakistan, which is short of foreign currency and running a high domestic deficit.

WORLD BRIEFS

West German Greens Leaders Resign

KARLSRUHE, West Germany (AP) — The 11-member leadership of the leftist Greens Party has resigned after a no-confidence vote from members seeking a more moderate course.

The governing council for the environmentalist party had been dominated by a faction that sees little worth in trying to influence government actions by working within the West German legislature. Forty-four of the 519 Bundestag seats are held by members of the Greens party.

About 400 Greens delegates gathered here Saturday for a special party conference, during which the no-confidence vote was passed, 214 to 186. The council and its supporters also had been blamed by other factions within the party for "irregularities" in the financing of a new party building in Bonn.

Swiss Reject Limit on Foreigners

ZURICH (Reuters) — Swiss voters decisively rejected on Sunday a proposal by a far-right political party to reduce the number of foreigners allowed to settle in Switzerland.

In a national referendum, 67 percent voted against the proposal by the National Action Party, which could cut the number of resident foreigners by 300,000 by the year 2003.

The plan was rejected in every one of the country's 23 cantons. It needed majority approval by both voters and cantons to succeed and had been strongly opposed by the government, all major political parties and humanitarian and business groups.

Azerbaijan Military Toughens Stand

LONDON (AP) — Military force will be used if necessary to maintain order in Baku, the capital of the southern republic of Azerbaijan, according to a Baku radio broadcast that was monitored here Sunday.

Martial law imposed on Baku last week prohibits meetings and protests, but they have continued. "Force will be used in case of any failure to abide by regulations established by law," said a voice the broadcast identified as that of the city's military commander.

Meanwhile, a newspaper in the Soviet city of Yerevan said that soldiers with submachine guns were ensuring that Azerbaijanis did not meet Armenians heading the opposite way. According to official news reports, the longstanding ethnic upheaval in the neighboring republics has produced 150,000 refugees in the past few weeks.

Zaire Tells Citizens to Leave Belgium

BRUSSELS (Reuters) — Zaire has ordered its nationals to sell their assets in Belgium and has ordered home its 2,000 students there in a growing rift between the two countries.

The decision by the ruling MPR party was reported by the official Zairian news agency, AZAP, in a statement carried by the Belgian news agency Belga on Sunday. The Belgian prime minister, Leo Tindemans, said in a radio interview that he could not react to a news agency report. But he said the AZAP statement was evidently connected with Belgian accusations about President Mobutu Sese Seko. Belgian newspapers have called Mr. Mobutu a dictator and accused him of mismanaging the economy of Zaire, a former Belgian colony.

Zaire has rejected a Belgian offer to reschedule its debts on easier terms. The offer was made last month by Prime Minister Wilfried Martens during a visit to Zaire.

For the Record

Twelve blacks were killed in attacks in Trust Seed township in South Africa and two members of the security forces were stabbed to death during the weekend, the police said.

Talks between Soviet officials and Afghan rebel leaders on a cease-fire and an interim Afghan government entered their second day Sunday in the Saudi town of Taif, a Saudi news agency said.

President Junius R. Jayewardene dissolved parliament Saturday, set Feb. 15 for Sri Lanka's first general elections in more than a decade and said he would retire, at 82, after 11 years as ruler of the Indian Ocean island, following a presidential election Dec. 19.

TRAVEL UPDATE

No Letup in Paris Transport Strike

PARIS (APF) — The Paris public transport strike, which has affected millions of people, will go into its second week Monday with no prospect of settlement. Union-management talks failed Friday, and no further meetings were scheduled over the weekend.

The movement began in the maintenance shops of the RER, the Paris regional rail network, which normally carries more than a million people a day between the capital and its suburbs. At the end of the week, it spread to some Paris subway and bus drivers, and it has also affected some other cities, such as Marseille and Toulouse in southern France. The unions demand wage increases ranging from 300 to 1,000 francs (\$50 to \$170) a month. The government has proposed an increase of 250 francs.

At Air France, another transport conflict is also continuing. Mechanics struck on Oct. 18 to back wage demands. Several flights daily have been canceled since then. The airline has announced that 31 flights will be canceled in the period from Dec. 5 to Dec. 13, and unions have warned of flight disturbances during Christmas holidays.

Egyptian authorities reopened the airspace between Egypt and Libya to commercial aircraft Sunday for the first time since 1979, when relations worsened between the two countries after Egypt's peace accords with Israel. An announcement in Cairo said Libyan planes could land in Egypt or fly over the country.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

- MONDAY: Haiti, Spain, Thailand, Tonga.
- TUESDAY: Ecuador, Finland, Spain.
- WEDNESDAY: Ivory Coast.
- THURSDAY: Andorra, Argentina, Austria, Chile, Colombia, Costa Rica, Italy, Liechtenstein, Macao, Malta, Monaco, Nicaragua, Panama, Paraguay, Peru, Portugal, Sao Martin, Seychelles, Spain, Vatican City, Venezuela.
- FRIDAY: Tanzania.
- SATURDAY: Angola, Equatorial Guinea.
- SUNDAY: Israel.

Source: Morgan Guaranty Trust Co., Reuters

Toll Mounts In India and Bangladesh

The Associated Press

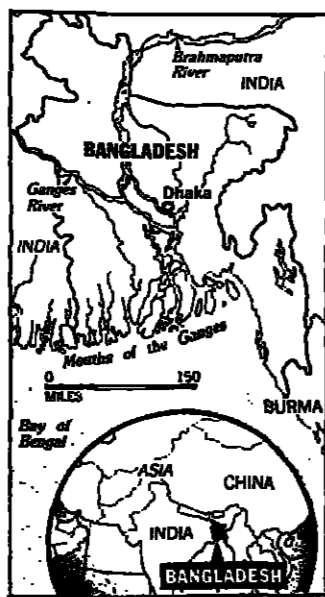
DHAKA, Bangladesh (AP) — The death toll from a cyclone that pounded southern Bangladesh and India could surpass 2,000, officials and news reports said Sunday.

Estimates of the number of people still missing in the two countries ranged from 3,000 to 5,000.

The relief organization Red Crescent said that at least 1,115 people had died in Bangladesh. A navy officer who toured some of the hardest hit coastal areas put the death toll at 1,300. Dhaka newspapers said it had reached 1,500 and was likely to go higher.

In India's West Bengal state, adjoining Bangladesh, the official death toll reached 500 on Sunday. Communication is poor in much of the region, and bureaucracy slows the reporting of verifiable deaths in some places.

The cyclone, which roared



ashore Tuesday from the Bay of Bengal, devastated 30 of the 64 administrative districts in Bangladesh and ruined up to 70 percent of the rice crop ready for harvest, according to a preliminary assessment.

EC Leadership Acts to Avoid Clash With U.S. Over Arafat

By James M. Markham

New York Times Service

RHODES, Greece — West European leaders have skirted a clash with the United States and patched over deep differences in the controversy created by the Reagan administration's refusal to grant the leader of the Palestine Liberation Organization a visa enabling him to address the United Nations.

At the conclusion Saturday of two days of meetings, the leaders of the 12-nation European Community also pledged that the single market they are striving to create by the end of 1992 would be "a partner and not a fortress Europe."

And they reassured the United States — which is worried about the emergence of a West European protectionist bloc — that they wanted to "maintain and deepen the solid and comprehensive trans-Atlantic relationship."

Although two statements issued Saturday were largely dedicated to the opportunities and challenges posed by the creation of a frontier-free market of 320 million consumers, the Middle East issue dominated much of the private discussion among the heads of government and their foreign ministers at a 14th-century Crusader castle on this eastern Mediterranean island.

Several expressed veiled criticism of the U.S. decision to deny the visa to Yasser Arafat, chairman of the PLO.

Asked at a news conference if he understood Washington's decision, President François Mitterrand responded: "I prefer not to understand it, for if I understood it, it would lead me to pessimistic conclusions about the future."

On one extreme, Greece, which holds the community's rotating presidency, increasingly looks as if it will recognize the PLO entry while Britain, at the other end, has been careful to avoid criticizing Washington's ban on Mr. Arafat.

To demonstrate their displeasure at the U.S. decision, Greece, Italy and France favored the sending of European Community foreign ministers to the special General Assembly session that will be held Dec. 15-16 in Geneva to give Mr. Arafat a hearing.

But this initiative was strongly opposed by Prime Minister Margaret Thatcher of Britain, who was backed by the leaders of West Germany, the Netherlands and Denmark.

A compromise brokered Saturday was a decision to send the European Community's 12 UN representatives to the Geneva session, with Foreign Minister Karolos Papoulias of Greece delivering an address on behalf of the organization.

"If Arafat is in Geneva, I think it will be possible to continue the dialogue," said Mr. Papoulias, who is known to have argued also for extending an invitation to Mr. Arafat to address the next European summit meeting in Madrid next spring.

The Rhodes gathering was largely dedicated to stock-taking at the halfway point to creation of a single market — an effort that was launched in 1985.

The nominal summit theme was the community's ties to the rest of the world. By pledging that the single market would not develop into a "fortress Europe," the leaders sought to dampen U.S. fears that

the community was giving added impetus to protectionism.

The declaration came amid an acrimonious dispute with Washington over a ban on the import of hormone-treated American meat.

But the discussions again showed that considerable differences remain — notably between Britain and other members — over what shape the single market should take.

Mrs. Thatcher reiterated her opposition to a full abolition of frontier controls and to plans to harmonize value-added tax levels among the 12 members.

On Friday, she attacked Prime Minister Wilfried Martens for allowing Patrick Ryan, a lapsed Irish priest, to leave Belgium for Ireland.

The British government contends that Mr. Ryan, who was arrested with bomb-making plans and a false passport, is a terrorist.

According to her spokesman, Mrs. Thatcher told Mr. Martens that she was "mystified and deeply wounded" that Belgium had decided to extradite Mr. Ryan to Britain, particularly after her government had cooperated in extraditing British soccer hooligans wanted in Brussels.

Saturday, Mrs. Thatcher similarly dressed down Prime Minister Charles J. Haughey of Ireland for not arresting Mr. Ryan, who is now in a rest home in Ireland.

Negotiators Go Home Without Angola Pact

By Christopher S. Wren

New York Times Service

BRAZZAVILLE, Congo — Negotiators for Angola, Cuba, South Africa and the United States have unexpectedly failed to approve an agreement leading to a comprehensive peace settlement in southwestern Africa.

After meeting through the day Saturday, the South African delegation announced that it was going home without signing a protocol detailing everything that had been achieved in eight months of painstaking negotiations. It said the other delegations would do the same.

As recently as Saturday afternoon, diplomats familiar with the talks expected the agreement to be signed, if not Saturday night, then on Sunday.

It was not immediately clear how serious a setback the failure to sign the protocol was to the prospects for a settlement. Officials said there would be more talks in the future.

The deadlock evidently centered on verification of the Cuban military withdrawal from Angola. Its terms were being worked out between Cuba and Angola, but they had to be acceptable to South Africa for the total package to be approved. The talks linked independence for South-West Africa, or Namibia, which South Africa administers, to the Cuban pullout.

A spokesman for the South African delegation, Roland Darrell, insisted that the negotiations had not collapsed. He said the delegations had raised "new aspects" of verification and other minor pending issues.

Japan Takes Small Step Toward Peace and Quiet

By Susan Chira

New York Times Service

TOKYO — In Japan, when people have something to say, they turn to the loudspeaker.

Loudspeakers crackle at 6 A.M. in country towns, reminding people to get up. Train conductors preside over the morning rush with a stream of amplified announcements: "The train is coming. Please wait in three neat lines and get into the car in an orderly manner without pushing the people ahead of you." "You must be tired; please do not forget your belongings when you leave the train."

All day long, vendors broadcast their wares. "Poles for hanging laundry!" "Toilet paper in exchange for old newspapers!" "Hot baked sweet potatoes!"

At election time, candidates

scream their names over and over in a shrill plea for votes.

But in a nation that usually appears dulled to such cacophony, Japan took one small step last week toward peace and quiet.

The lower house of the Diet, Japan's parliament, passed a bill restricting loudspeakers and sound trucks from blaring near foreign embassies, government buildings, the Diet itself, and upon special request of the parliamentary speakers, offices of political parties.

Violators may be fined \$1,600 and would be subject to up to six months in jail.

The bill, which is expected to pass the upper house soon, is aimed — although the legislators do not say so outright — at what may be the worst scourge of all.

For years, huge sound trucks manned by rightist extremists and draped with Rising Sun flags have

swept through city streets, blaring martial music.

They park near favorite targets, such as the Soviet and other Eastern bloc embassies, and scream denunciations of communism and hours.

"Frankly speaking, it is not very easy to work in such circumstances," said Andrei V. Krivtsov, second secretary of the Soviet Embassy. "Sometimes we can't even speak within our building because of the shouting from outside."

The bill is moving through the Diet just two weeks before the Soviet foreign minister, Eduard A. Shevardnadze, is due to arrive in Tokyo for talks.

His visit comes as several Japanese and Soviet companies have announced joint ventures, and as the Soviet Union has floated some unofficial proposals to resolve the outstanding issue between them — Japan's claim to four Soviet-held islands in the Kuril chain.

Many Japanese suspect that Mr.

Shevardnadze's visit may have prompted some action, because otherwise Japan is remarkably tolerant of the noise.

Masahiko Ishizuka, editor of the weekly Japan Economic Journal and a critic of noise pollution, offers just a partial list of the sounds that assault people every day:

Carnival music blaring from pinball parlors; police lectures on traffic safety and crime prevention, delivered from helicopters to pedestrians below; buzzers and bells that ring incessantly while a train is stopped at a station; public-address announcements from local schools, clearly audible in nearby homes and shops; garbage collectors who announce their arrival with chiming rings out such tunes as "Comin' Through the Rye."

In a way, the stream of public cautions and exhortations reflects the resolute cheerfulness, moral uplift and emphasis on the public good that run through Japanese life.

Masateru Oshima, public relations officer for the Teito Rapid Transit Authority subway line, said that complaints from passengers had prompted the authority to cut back on some of the subway announcements, particularly such nagging statements as "Please put trash in trash cans" or "Please make sure not to forget anything."

But he said that many passengers have asked conductors to keep those announcements coming.

"Sometimes we get requests for announcements from passengers

about things they cannot say directly to other passengers," he said. "Such as 'Please don't spread out newspapers in a crowded train' or 'Please sit closer together so more people can sit down.'"

Just as many Japanese have gotten used to announcements for their own good, they have generally resigned themselves to thundering political broadcasts.

On any weekend in such busy Tokyo shopping districts as Shibuya, political enthusiasts of every ideological persuasion are at the microphones, screaming their slogans to an indifferent crowd.

The amplified chants and demonstrations — by labor unions, teachers, rightists and leftists — yell and fade, drowning out meetings at government ministries.

In fact, the Socialist and Communist parties, often the victims of rightist harassment, spoke out Friday in the Diet against the anti-broadcasting bill as a curb on free speech.

After objections by legislators, the lower house passed a resolution asking the government to apply the law "prudently" so as not to infringe on people's rights.

The move to control noise came at a time when there is less of around than usual. An Emperor Hirohito lies gravely ill, rightists have had to choose between their devotion to him and, at least, of Communists. For now, at least, the emperor has won out.

Out of respect for his illness, the sound trucks have fallen silent.

OPERA

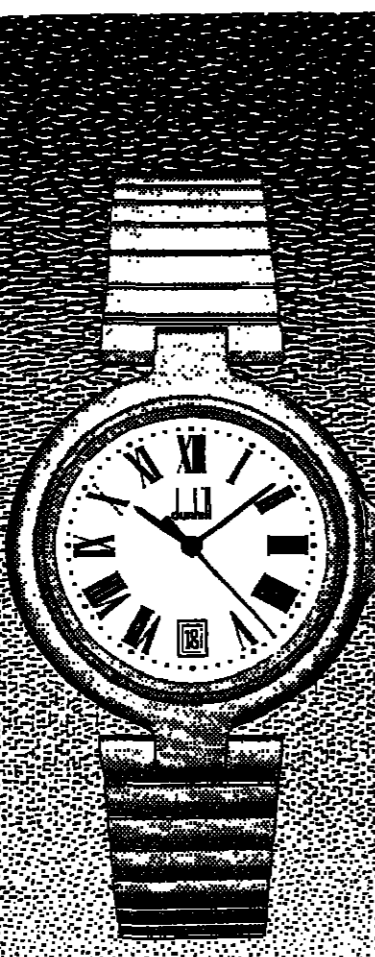
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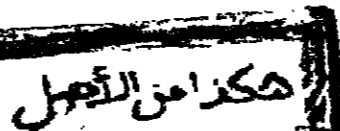
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WORLD BRIEFS

German Greens Leaders... West Germany (AP) — The 11-member party has resigned after a no-confidence vote...

Swiss Limit on Foreigners

Swiss voters decisively rejected the political party to reduce the number of foreigners in Switzerland...

Military Toughens

Military force will be used if necessary to control the southern republic of Zaire...

Citizens to Leave

Zaire has ordered its national army to order some 2,000 citizens to leave the country...

Record

There were talks in attacks in Trust Seed were... of the security forces were...

TRAVEL UPDATE

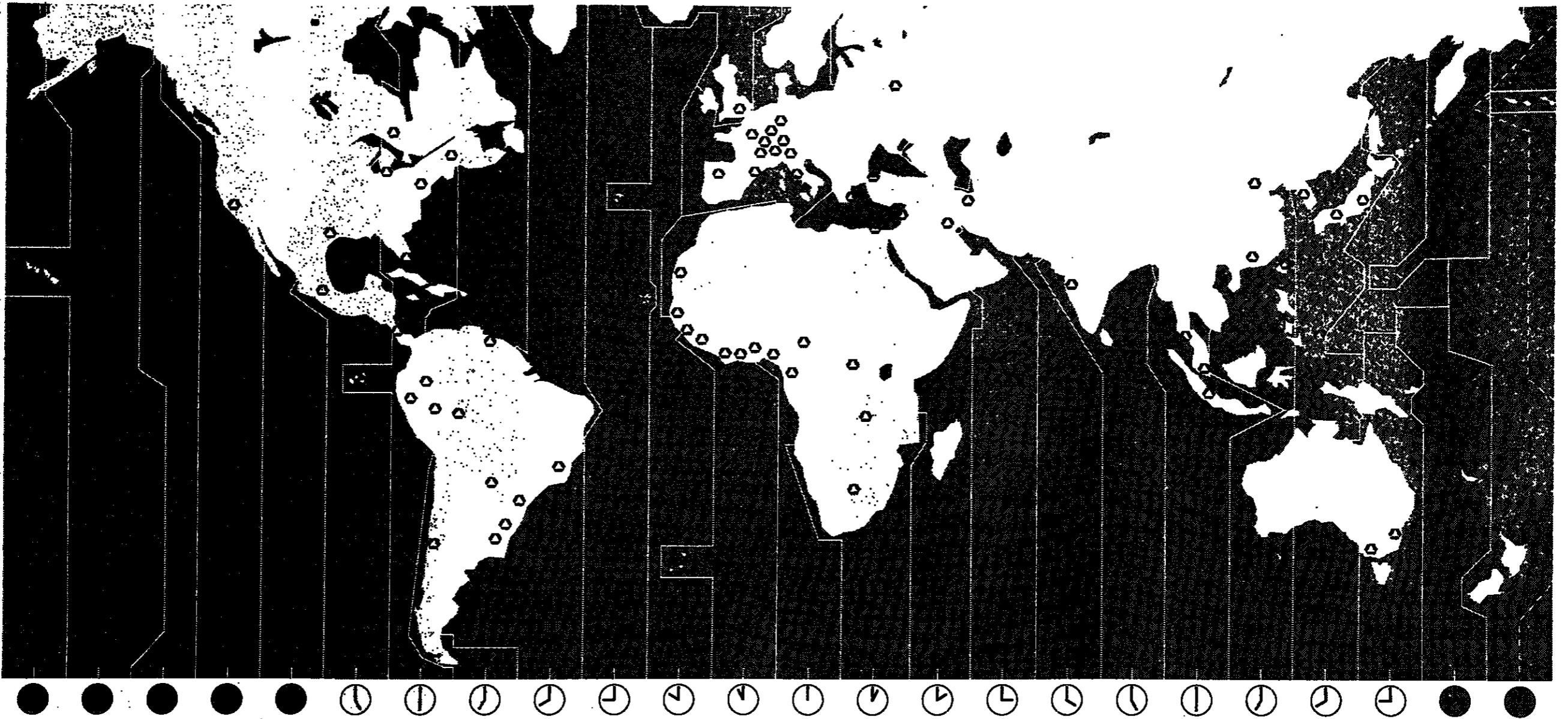
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MUTINY: Rebels Surrender

(Continued from page 1)

tion, a heavily equipped arsenal, on Saturday.

Mr. Alfonsín had wide public support to quell the rebellion, the third in the past 18 months, and had pledged to "suffocate" it.

Authorities used tear gas to disperse protesters who threw rocks and bottles at the rebel-held depot in Villa Martelli, a working-class neighborhood 15 kilometers from central Buenos Aires.

With some government officials calling the revolt a coup attempt, officials on Saturday called on the public to rally for democracy.

Tens of thousands of people gathered in plazas nationwide to support a democracy that has seen six military coups since the 1930s.

The insurrection began Thursday when 53 members of a coast guard unit robbed an arsenal and deserted their base.

On Friday, about 400 troops led by Colonel Seinfeld rebelled at Campo de Mayo.

Government troops traded fire with the rebels on Friday and five persons were reported wounded.

But government troops were silent on Saturday when most of the rebel troops at Campo de Mayo boarded army trucks and moved without to the nearby Villa Martelli, an arsenal equipped with tanks and explosives.

On Sunday, troops in the 6th Infantry Regiment at Mar del Plata, 90 kilometers west of the capital, joined the rebellion, but no further details were available.

The news agency Noticias Argentinas quoted unidentified army sources as saying 70 rebels mutinied.

The insurrection was reported to have been triggered by the planned resumption of trials of military officers implicated in a wave of officially sanctioned terror during the years of a succession of military dictatorships.

A commission appointed by Mr. Alfonsín published a report in November 1984 that said nearly 9,000 people were arrested by security forces and "disappeared," a euphemism for presumed executions.

In December 1985, a civilian court convicted nine former military junta members, including former Presidents Jorge Videla and Roberto Viola, of human rights abuses.

The civilian court trials against other military officials are scheduled to resume soon.

Before the military announcement, Noticias Argentinas said a provincial lawmaker and a second civilian were wounded by stray bullets in a brief firefight between government troops and mutinous soldiers at the rebel-held base.

Before news agencies announced a negotiated end to the four-day uprising, hundreds of Argentine citizens ignored danger and journeyed to the rebel depot to shout insults and throw rocks at the mutinous soldiers.

New York City Prepares To Face 'Gorby Gridlock'

New York Times Service

NEW YORK — Mikhail S. Gorbachev will address the United Nations this week, have lunch with President Ronald Reagan and President-elect George Bush, tour a city swathed in Christmas glitter, and hopelessly snarl traffic and block shoppers.

The tight security that will surround the Soviet president, and the traffic jams that will swell as streets are blocked off for his 40-car motorcade, are already giving city officials nightmares of what they are calling "Gorby Gridlock."

"If he goes through Times Square, we expect he might get out of his car to shake hands," a police official said. "It's a movable riot."

Mr. Gorbachev will arrive Tuesday afternoon and be driven to the Soviet Mission to the United Nations, where he will stay.

On Wednesday morning, he will meet the UN secretary general, Javier Pérez de Cuellar, and address the General Assembly. He is to go by special ferry from the Battery, at the southern tip of Manhattan, to Governors Island for lunch with the American leaders. In the evening, there will be a diplomatic reception at the United Nations.

On Thursday, Mr. Gorbachev will tour the city. But a spokesman for the Soviet Mission, Yuri P. Chizhak, said the full schedule had not yet been set and it appeared that at least one of the more highly publicized aspects — a visit to Wall Street — would not happen.

Mr. Gorbachev is scheduled to leave for Cuba on Friday morning.

MEETING: TRADE: Montreal Talks Aim to Provide Impetus for a Complex Overhaul

(Continued from page 1)

between Mr. Baker and the Soviet foreign minister, Eduard A. Shevardnadze.

These preliminaries are likely to take up the first half of next year or even more time, U.S. officials said, and this is among the reasons impeding to Mr. Gorbachev for seeking a meeting now, even one limited in duration and scope.

The U.S. plan calls for Mr. Reagan, Mr. Bush and Mr. Gorbachev to confer in an intimate setting without advisers for about 20 minutes at the start of Wednesday's meeting and more briefly at the end. However, aides said that Mr. Bush had not ruled out a one-on-one meeting with Mr. Gorbachev if the Soviet leader requested one.

Another symbol of the continuity theme of the meeting will be the unexpected presence of Anatoli F. Dobrynin, a veteran Soviet diplomat, on Mr. Gorbachev's side of the luncheon table. State Department sources said the Soviets had indicated that Mr. Dobrynin, along with Mr. Shevardnadze and Alexander Yakovlev of the Politburo, would be among the seven Soviet officials at Governors Island.

Mr. Dobrynin, who dealt extensively with every U.S. president from John F. Kennedy to Mr. Reagan during 24 years as the Soviet ambassador in Washington, was "retired on pension" in a Kremlin shake-up Sept. 30. Nearly a month later, on Oct. 28, he was named as a special foreign policy adviser to Mr. Gorbachev.

Unlike earlier Reagan-era summit talks, this meeting will last only about two hours, and U.S. aides expect no agreements, probably no joint statements and less news media attention than at the summit meetings in Geneva, Reykjavik, Iceland; Washington, and Moscow.

"This will be our last such meeting," Mr. Reagan said in his radio address, "and I must admit that I may have predicted after first taking office that someday I would be waxing nostalgic about my meetings with Soviet leaders. But here we are, for the fifth time, Mr. Gorbachev and I, together in the hope of further peace."

comprehensive international discipline for trade in agriculture, which the industrialized countries alone currently subsidize to the tune of \$220 billion a year.

If the mid-term review in Montreal is to be considered a success, trade officials say, it must at the very minimum produce a new political commitment to complete the Uruguay Round by the target date of end-1990 and agreement on a "road map" and timetables for the negotiations over the next two years.

The meeting should preferably also endorse some interim agreements that would reinforce the rules of the free trading system.

The idea is to strengthen the General Agreement on Tariffs and Trade, the Geneva-based custodian of the trading system, under whose aegis the round is being conducted.

At the back of many minds is the need to establish clearly agreed new rules before facing the difficult questions posed by possible Chinese and Soviet membership of GATT in the years ahead, as well as by the new, expanding trade relationships between Eastern and Western Europe.

Agreement in Montreal simply to keep on talking and duck the most contentious issues, in this view, would be a failure.

Even worse would be a major unvoiced dispute among the principal industrial trading partners, the United States, the EC and Japan.

or between the industrialized and developing nations.

The risks of such disputes are considerable. The current positions of the United States and the EC on agriculture, widely billed as one of the make-or-break issues for Montreal, are described by officials here as still "irreconcilable."

Top U.S. and EC officials adamantly reaffirmed their positions over the weekend, with the United States insisting on a long-term commitment to abolish all "trade distorting" farm subsidies, and the EC equally firmly rejecting the demand that it would rather fail to agree than compromise their principles.

Willy de Clercq, the EC Commission's member for foreign trade, warned that failure to agree in all the other areas would block progress in all the other areas.

Both he and senior U.S. officials, however, said that while progress in Montreal was desirable, the goal for final agreement was not until the end of the round, in 1990.

Another clash is looming on the protection of intellectual property, such as patents, copyright and technological innovations, a particularly high priority for the United States. Officials say a storm is brewing between rich and poor countries reminiscent of the acrimonious North-South disputes of the 1970s.

Many developing countries fear that on this and other issues, the rich nations will simply strike their own deals, in a North-North negotiation that will ignore the poorer countries' legitimate interests.

In preparatory negotiations over the last few weeks in Geneva, a number of officials said, many positions hardened as Montreal approached, to the extent that there is some gloom over the prospects for real breakthroughs this week.

But while the United States and the European Community differ fundamentally on the degree to which agriculture should continue to be subsidized, they have important common interests in many of the round's other major areas.

As their share of world manufacturing declines, both want to open up trade in services and intellectual property and set rules of the game that would allow their companies to operate freely on a worldwide basis.

For Japan, it is especially important to keep markets open and safeguarded by rules that will prevent the United States and the EC from placing what it sees as undue restrictions on its exports.

Tokyo is also concerned that it should continue to be able to invest as freely as possible abroad, particularly in the U.S. and EC markets.

Developing countries, however, do not want to abandon their national controls over investments by multinational companies, in favor of rules set by the richer nations.

CHINA: Limit Seen on Soviet Link

(Continued from page 1)

countries that are ideologically distant — Chile, Israel and South Korea, for instance — and that have raw materials, military technology or marketing skills that it needs.

The Soviet Union is seen as less useful economically than Western countries.

Chinese press coverage of the foreign ministers' meeting in Moscow has been restrained. People's Daily, for instance, carried a short news article Saturday about the meeting, and the press has scarcely commented on what the new relationship means.

Chinese officials are also reticent about discussing the possibilities, and several declined to be interviewed on the subject.

Trade with Moscow has risen rapidly, so that the Soviet Union is now China's fifth-largest trading partner, accounting for about 3 percent of Chinese trade. But that share is dwarfed by the more than two-thirds of Chinese trade accounted for together by Hong Kong, the United States and Japan.

Security considerations impel China toward improving relations but will also limit the relationship.

Chen Hansheng, foreign editor of the World Economic Herald, an influential Shanghai newspaper, said in a telephone interview, "We can increase trade, and we can exchange experiences about reform, but we don't seek to improve relations solely for material reasons."

China has long set three conditions for a summit meeting: reduction of Soviet troops along the border, Soviet withdrawal from Afghanistan and the end of Soviet support for the Vietnamese occupation of Cambodia. China regards the conditions as largely met, but they still reflect the Chinese concern for the Soviet military threat.

And yet, for all the constraints, the disputes of three decades seem to be treated in China as history, and new contacts are forged daily. Academic and cultural exchanges are multiplying, trade is running four times its level of a year ago, and Russian-language study is suddenly becoming respectable again in Chinese universities.

"The impetus for normalization comes from think tanks, from the Foreign Ministry, and from party members," a Western diplomat in Beijing said. "There's no indication Deng led it, and there are some indications he had to be brought along."

A major reason for Beijing to improve relations with Moscow is to increase its role in international issues. China was largely left out of the Afghanistan settlement, and may have worried that it would also have insufficient influence over the future of Cambodia.

There are also domestic factors at work. Chinese economists and foreign diplomats say, provinces bordering the Soviet Union have been mostly left out of the economic boom of the last few years. Increasing trade with the Soviet Union may not matter much for China's overall economy, but it may give northeastern Heilongjiang Province a greater sense of participation.

Chinese leaders have gone out of their way to reassure the United States that it has nothing to fear from the improvement of relations with Moscow, and American officials accept the assurances.

"To the extent improved Sino-Soviet relations lessen tension in Asia and elsewhere," the United States ambassador to China, Winston Lord, told an audience in San Francisco on Saturday, "it is a welcome development."

SHUTTLE: ARMS: NATO Plan on Reductions Radar-Vision Spy

(Continued from page 1)

peace-time function," Mr. Pike said.

Mr. Pike added that the satellite was seen by the military as a way to help the recently unveiled B-2 Stealth bomber find mobile missile hidden deep inside the Soviet Union. But some critics question whether communication with such satellites would be possible in a nuclear war.

Much is known about space radars in general because they were pioneered by civilians, particularly by the National Aeronautics and Space Administration.

Experts said the power of the new satellite came from an imaging radar that constantly bounces radio waves off the Earth, in effect providing the satellite with its own built-in illuminator.

After an antenna picks up echoes from these radar beams, the signals are quickly processed by powerful computers on the ground to create the equivalent of photographs.

These spacecraft were pioneered by civilians in 1978 when NASA launched a Seasat satellite to examine the ocean's surface.

In 1981 a civilian shuttle mission carried aloft a high-performance imaging radar with a 30-foot-long antenna, which accidentally uncovered the series of ancient waterways beneath the Sahara desert.

Experts put the cost of the radar satellite at around \$500 million, although the computerized ground processing of its images is said to increase the system's overall cost.

limit the number of weapons that a nation would be allowed to keep on foreign soil.

Assuming there were 40,000 tanks in Europe, one stringent version under consideration would in effect limit the number a nation could have in active units on foreign soil to about 4,000.

The London-based International Institute of Strategic Studies estimates that there are 10,000 Soviet tanks based in Eastern Europe.

Still unsettled are a series of "confidence-building measures," such as allowing one side to inspect some of the other side's stored equipment, which would be designed to provide early warning of mobilization for a possible attack.

Sudden Strike Unlikely

A congressional study released Sunday said the Soviet Union was highly unlikely to launch a sudden military attack on NATO forces in Europe. The Associated Press reported from Washington.

The Soviets did not have enough well-trained forces to mount such a strike and would likely be detected by Western intelligence officials if they tried to prepare, according to a review by the House Armed Services Committee's defense policy panel.

Social Aid Chief Rebuffs Her Staff

New York Times Service

WASHINGTON — The Social Security Administration has rejected a staff proposal that would have sharply restricted the rights of elderly and disabled people to appeal government decisions to deny benefits under Social Security, Medicare and welfare.

A spokesman said the proposal had been under consideration at lower levels when Dorcas R. Hardy, commissioner of the agency, cut short the decision-making procedure on Saturday by saying that a draft had "generated inaccurate information and caused undue alarm to the American public."

Made by the agency's office of hearings and appeals, the proposal would have denied a person's a full review of all issues when appealing an unfavorable ruling. The commissioner ruled two days before she was to appear before the House Ways and Means Committee, which planned to question her closely about the proposal.

GULF: New U.S. Strategy

(Continued from page 1)

General Crist said, "I can't defeat them but a standoff in that regard is O.K." The new strategy would apply to either Soviet or Iranian forces, he said, with modifications depending on who attacked.

The general asserted that the new plan would expose Soviet lines of transport to attack by American aircraft. Some officials said it would take seven Soviet divisions to keep one in combat.

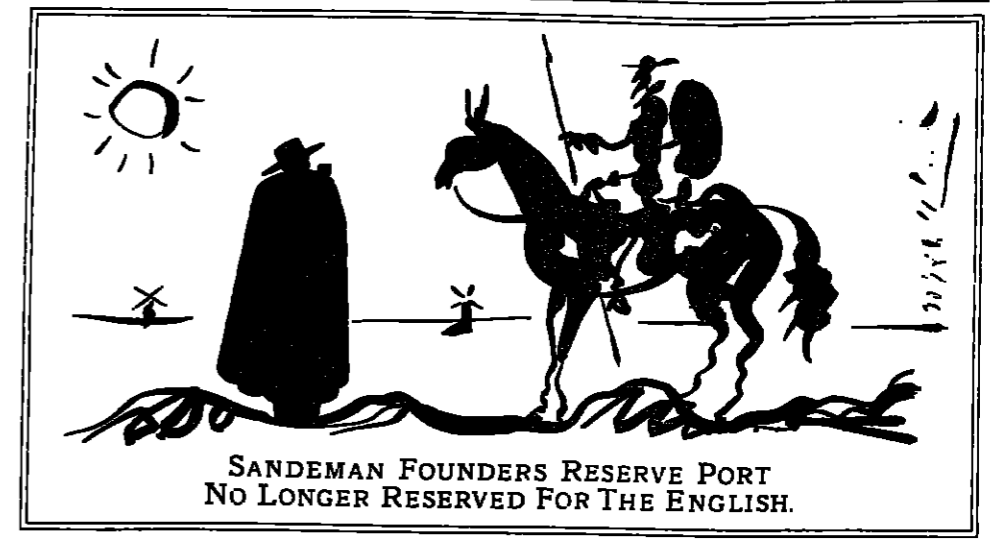
But staff officers said that the United States would have to secure its own much longer lines of supply first, requiring an early decision by the president to move forces and supplies. If the Soviet Union got there first, it would be next to impossible to dislodge its forces, they said.

Over the last four years, officers at McDill said, the Central Command has improved its operations in communications, intelligence, transportation, airlifts, sea lifts and construction.

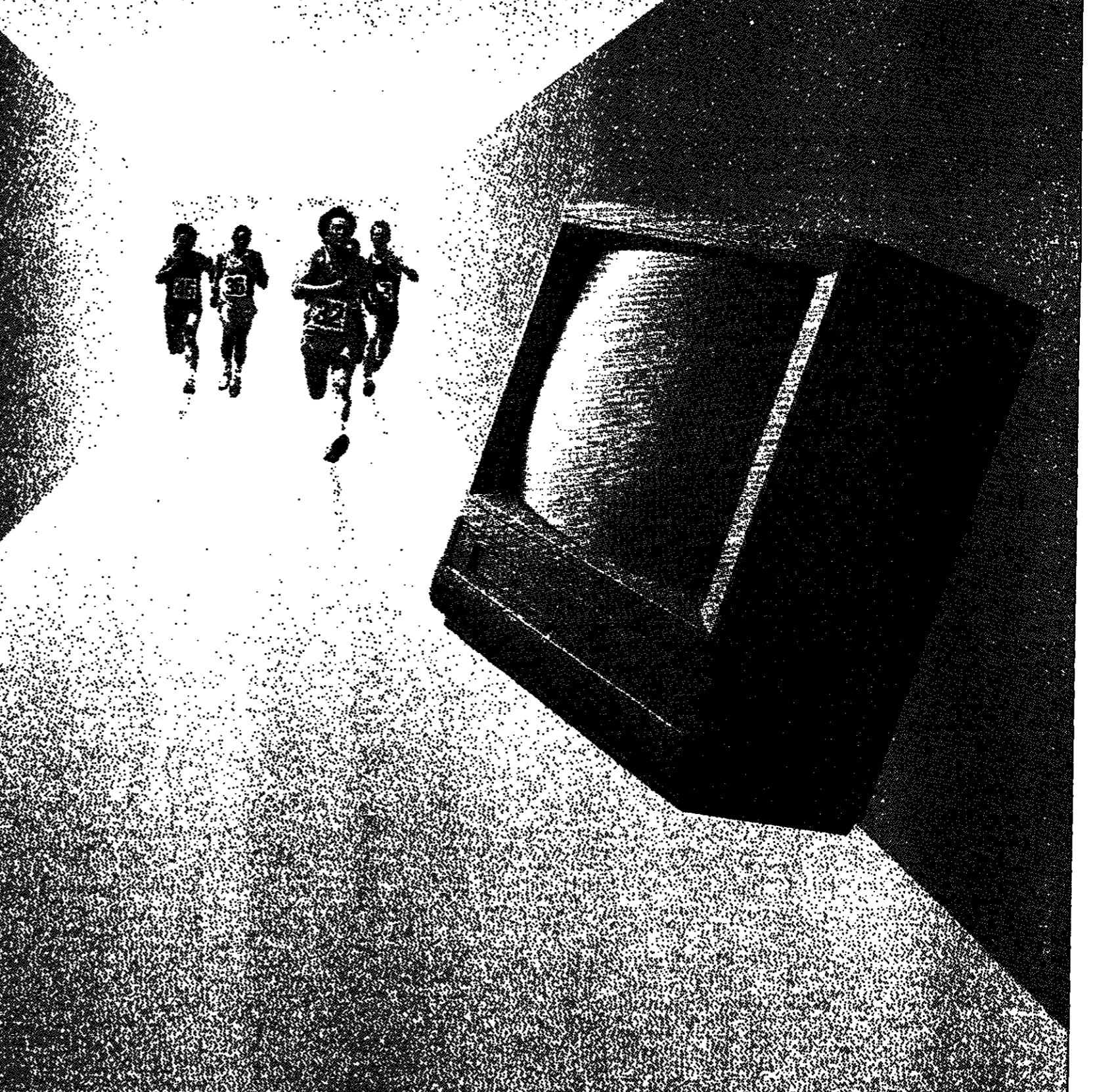
On the other hand, the command would have trouble sustaining a large operation because problems in supplying ammunition, fuel and combat medical care. Nor does it have a headquarters in the Gulf area, even though its presence is more accepted.

Earthquake in California

Los Angeles — An earthquake has hit southern California, causing minor injuries but no significant damage. A spokesman for the California Institute of Technology said the quake, striking at 3:39 A.M. Saturday and centering in Pasadena, was felt through most of greater Los Angeles and parts of San Diego County.



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INTERNATIONAL Herald Tribune

Getting Acquainted

Mikhail Gorbachev could be forgiven for planning his forthcoming trip to New York as a holiday from the heavy lifting he is doing at home.

resistance to it brought on by bureaucrats' fears of having their cozy ways disturbed and by the Soviet people's firsthand knowledge that their standard of living is in decline.

Huffing and Puffing

Close to 100 nations assembled in Montreal this week to huff and puff at each other's trade restrictions. Their trade ministers will review the global bargaining on barriers that began two years ago in Uruguay and still has two years to run.

likely to be farm subsidies. The world's taxpayers provide \$200 billion in farm subsidies a year, thus artificially subsidizing exports.

Takeovers: Yes and No

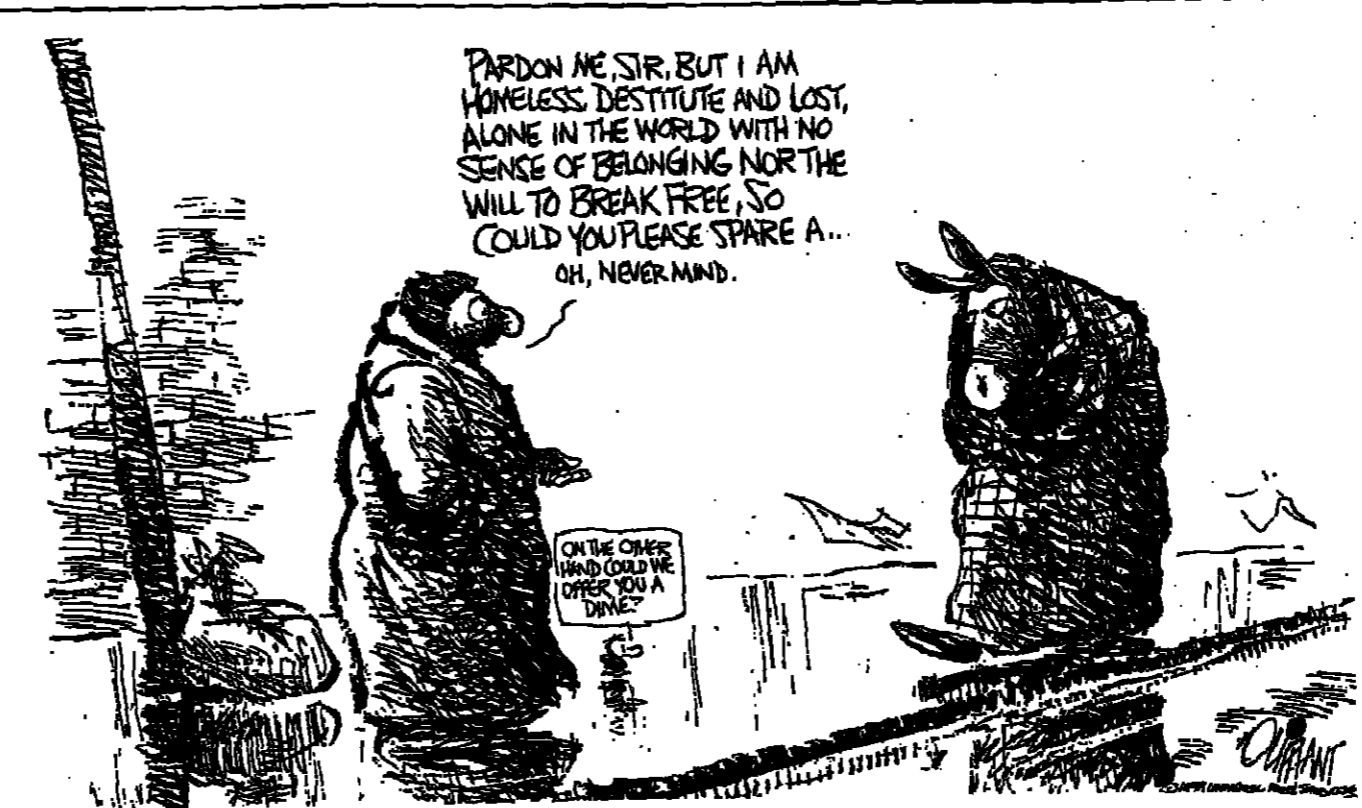
Corporate takeover games increase business efficiency, according to the theory. The people who have just bought RJR Nabisco for \$25 billion have paid nearly twice as much as the market thought the company was worth a few weeks ago.

If the RJR Nabisco deal works out as the buyers hope, the company will quickly generate the funds to pay off their debts and leave them with enormous profits.

Other Comment

Nationalism in a New Guise
The conventional picture is of luxurious, highly cultivated Rome diluting itself, as the Empire spreads outward, into muddy barbarism.

amount to in the 1980s than some of the immemorial nation-states. Quebec sought "sovereignty association," something less than total separation from Canada.



If These Four Have Committed Treason, So Have I

CAPE TOWN — On Nov. 18, Tom Mantsaha and three leaders of the United Democratic Front, a coalition of anti-apartheid organizations, were convicted in Pretoria of treason.

By Desmond M. Tutu
The writer, Nobel Peace Prize winner in 1984, is Anglican archbishop of Cape Town.

joined his colleagues on a spiritual retreat for the council staff. While on retreat, we heard that trouble had flared up. When we got to retreat, it is a strict rule that we withdraw temporarily from everyday activities to have time with God.

"preventive detention" for nearly a year, came out of prison to say to his friends in the council: "Let's not be consumed by bitterness." The case has brought South African law into question in the black community.

Nitze: Transition to a More Stable Nuclear World

BRUSSELS — I recall, in late September 1949, arriving in New York for the convening of the fourth United Nations General Assembly. The day we reached New York, President Truman announced to the American people that the Soviet Union now possessed the atomic bomb and would be able, five years hence, to drop one on the United States.

By Pierre Harmel
Mr. Harmel is a former prime minister and foreign minister of Belgium. He wrote this tribute to Paul Nitze, U.S. ambassador at large and special adviser to the president on arms control matters, to coincide with the scheduled presentation to Mr. Nitze today of NATO's Atlantic Award for 1988.

by ahead, at the series of summit meetings between President Ronald Reagan and General Secretary Mikhail Gorbachev. In addition to the INF Treaty, a process was set in motion with the aim of achieving a 50 percent reduction in strategic nuclear weapons and negotiating reductions in conventional and short-range nuclear weapons.

Gorbachev in America Needs to Hear It Straight

PARIS — Mikhail Gorbachev's decision to go to New York this week to talk with the outgoing and incoming U.S. presidents is a powerful signal of how much he wants to make sure of continuing improvement in Soviet-American relations.

By Flora Lewis
Vladimir Petrovsky said Mr. Gorbachev would take up a broad series of substantive issues. He cannot suppose that the U.S. government is prepared to give concrete answers at this time, but he wants to press his agenda.

that he wants to know what to expect from the United States. Surprising as it seems, his advisers and experts apparently did not give him a real sense of Western concern with Reykjavik-style sessions.

Bush Isn't Ready to Do Serious Business

Mikhail Gorbachev is in a hurry, but President-elect George Bush has to avoid rushing. The new administration has heavy work to do before it can begin to talk about major deals with the Soviet Union.

There is no more fussing about "careful preparations" for a summit, chasin about cosmetics, or other conditions. Things have come a long way since Moscow was sending out hints that the Reagan administration was too sticky to deal with short of firm, written agreements and that the United States was too "unpredictable."

1888: Advice for Pope
ROME — A secret communication is said to have been addressed by the French Government to the Vatican, advising the Pope to leave Italy in case of certain eventualities, and offering Leo XIII any assistance in the event of his deciding to go to France.

Vigilance To Thwart Murderers

By A. M. Rosenthal
VIENNA — Well, good friend, tell me what truths you have discovered in 40 years of hunting down the murderers of the innocent. Tell me, what message does Simon Wiesenthal have that I can pass along to those who fear that the evil in man that spawned the Nazi killers may one day spill out again?

1938: Reichstag Uproar
BERLIN — Amid such uproar that at one time he was obliged to stop speaking, Herr von Bethmann-Hollweg, the German Imperial Chancellor, continued his reply in the Reichstag to-day (Dec. 4) regarding the incidents between military and civil authorities in Alsace-Lorraine. A general discussion of the governmental system [took place], and charges were made that side by side with the constitutional Government of the Empire there existed another Govern-

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صكنا من الامل

Japan: Wrestling With Its Role

1992: New Markets Or 'Fortress Europe'?

By David Powers

TOKYO — Katsuhiko Fujitani admits that he is unusually positive about Japanese business prospects in Europe after 1992, the target set by Brussels for achieving integration of the European Community internal market.

"Some Japanese commentators call me stupidly optimistic," says Mr. Fujitani, director of International Economic Affairs at Keidanren, the influential federation of Japan's main business and economic organizations. "I'm convinced the plus side will be far bigger than the minus side. 'Fortress Europe' is nonsense. European countries are not so foolish as to build a fortress."

Judging by the comments of a senior member of the Scottish Council visiting Tokyo recently, that is not a view necessarily shared in Europe. "Fortress — maybe not; but more protectionist — almost certainly," he said.

"Some countries will adopt positions out of the sheer pleasure of going against Mrs. Thatcher, and that will convince them even more that they are right," he said.

The British prime minister's speech at Bruges, Belgium, on Sept. 20, in which she warned against any drive toward federalism in Europe, has certainly angered many London's European partners and reinforced the feeling that Charles de Gaulle was right all along when he opposed Britain's entry into the EC.

The Thatcher speech was quoted three weeks later on consecutive days by Michiko Kunihiro, Japan's deputy foreign minister, and Andreas van Agt, the European Commission's representative in Japan. Both concentrated on aspects that best fitted their hopes: Mr. Kunihiro on Mrs. Thatcher's vigorous defense of free trade, Mr. van Agt on the federal moves she so vehemently opposes.

MR. KUNIHIRO addressed Japan's main fears at the approach of 1992: a perceived trend toward splitting the world into a number of regional trading blocs with Japan on the outside, and the concept of strictly enforced item-by-item rather than across the board reciprocity. It is not only Europe 1992 that Japan is worried about. The U.S.-Canadian free trade pact is seen as part of the same trend.

Both Japan and the EC share the view that the United States is becoming more protectionist in its attitude, lacking issues unilaterally or bilaterally, rather than taking the global view that they think is more befitting of the world's largest economy.

These are pressures that Mr. Kunihiro says must be tackled tacitly but firmly, otherwise international trade could be placed in real danger. He warned that 1992 might provoke responses from the United States.

Continued on page 11



David Sizer

Consensus Elusive In Debate on Future

Perspectives differ widely on the need to internationalize.

By Patrick L. Smith

TOKYO — It is a process, it is a policy, or it is little more than driving a newly purchased BMW to an overpriced *nouvelle cuisine* dinner. It is a national challenge, some say, an inevitability.

Ask six Japanese what is meant by "internationalization" and you are likely to get six different perspectives and as many degrees of enthusiasm. The word has near-universal currency these days, but, on no other issue confronting this nation's 122 million citizens does there seem to be less consensus.

Nonetheless, no other issue touches as many aspects of Japan's complex and fast-evolving way of life.

What is internationalization? Broadly defined, it is not less than the reinvention of the national ethos through the modernization of its laws, social codes, global relationships and internal values.

There are any number of ways by which progress can be measured since former Prime Minister Yasuhiro Nakasone placed this concept squarely before the nation in the early 1980s. Trade issues have been solved, greater responsibilities in the fields of diplomacy and foreign aid have been accepted and new initiatives advanced in the areas of global debt and economic management.

But even those officials who most readily enumerate these successes acknowledge that it is too soon to answer the more difficult questions affirmatively: Is internationalization genuinely taking hold in Japan, can it finally work here, and what is needed to advance it further?

Conspicuous manifestations of xenophobia, chief among them far-from-idiosyncratic instances of racism, continue to emerge periodically. Will Japan outgrow the sense of inferiority it still feels when facing West and the corresponding sense of superiority it brings to

relationships with Asian neighbors? More than a few analysts see this as a permanent feature of Japan's global view.

"In structural terms, most of the necessary adjustments have been made," said Takajiro Hamada, a younger-generation legislator who heads a policy-research group within the ruling Liberal Democratic Party. "But ultimately it is a question of consciousness, of 'inner internationalization.' In this sense, Japan is still not the nation it should be."

In important respects, the incomplete progression described by Mr. Hamada is a natural one.

When Mr. Nakasone began to encourage Japan's effort to internationalize, it was to take account of the nation's new economic strength and the completion of the reconstruction effort to which it had singularly dedicated itself for the first three postwar decades.

In its initial phase, at least, this was indeed a matter of policy adjustment and political initiative. The issues debated among finance ministers and other senior bureaucrats were the yen's value, the Japanese aid budget and defense burden-sharing, not the consumption habits or political awareness of ordinary Japanese.

There is still no national consensus as to Japan's proper defense posture, its place as a global aid donor or the role of the yen as an international currency. But progress on these and other issues is evident, partly in response to new policy initiatives and partly because of expected responses to changed economic conditions.

Reflecting the higher value of the yen, for instance, almost 4 percent of Japanese manufacturing capacity is now located abroad, an increase of roughly a third over the past three years. As an international corporate citizen, Japan still compares unfavorably with the United States or West Germany, which produce about 18 percent of manufacturing output overseas.

But there are clear exceptions: 20 percent of Japan's consumer electronics output has left the country; in the auto and office equipment industries, the figure is roughly 12 percent. Equally important, Japanese industry is belatedly beginning to shed an addiction to market share more typical among Third World manufacturers in favor of a new effort to maximize value-added profit in lower-volume sectors.

There are still crucial tests in the economic

Continued on page 11

Manufactured Imports Become a Political Priority

By Paul Maidment

TOKYO — There are two big trade creditors in the developed world: Japan and West Germany. Few complain loudly about West Germany's surpluses, but Japan is reviled for being a relentless export machine.

A big difference between the two is that West Germany also imports a lot of other countries' manufactures. Japan, for a developed country, still does not. So West Germany's markets look open to foreign goods; Japan's have not. More manufactured imports

have become a political priority for the Japanese government.

As recently as 1985, manufactured goods still accounted for less than one-third of Japan's import bill. That share has now risen to nearly one-half, having taken a quantum leap in 1986 to 44 percent from 31 percent the previous year.

In the first half of this year, manufactured imports were worth \$44.1 billion out of a total import bill of \$91.8 billion. That represented a 49.5 percent increase on the same period a year earlier. 1987's increase for the full year was 25 percent on 1986's figure, although 1986's trade figures are distorted by large amounts of gold

imported for the minting of commemorative coins, which counted as manufactured goods.

But sharp though the rise in the ratio for manufactured goods has been in both devaluing dollars and volume terms, and despite the fact that it is now at its highest in modern times, it is still below the ratios for West Germany, Britain and the United States. For all three countries, manufactured imports account for around three-quarters of all imports, or more.

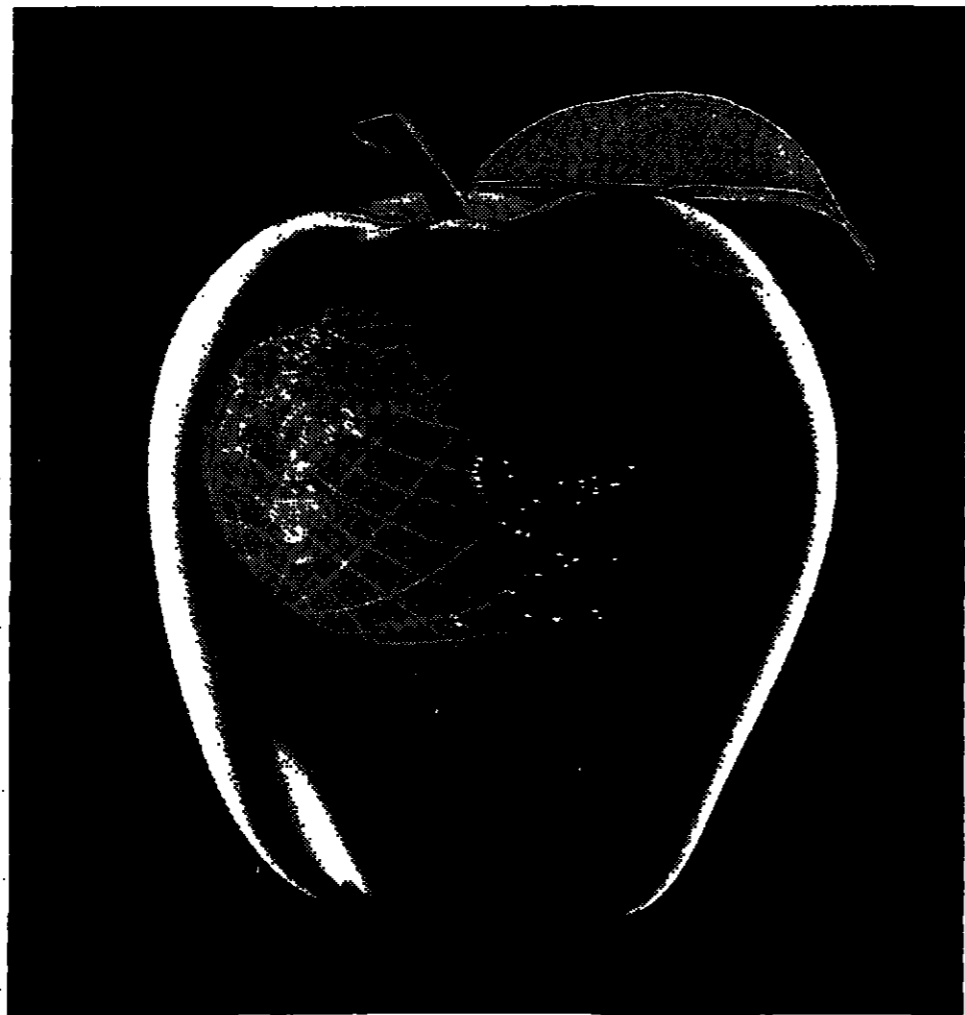
The true gap is probably wider. Japan uses a laxer definition of a manufactured import than the standard one used by the General Agreement on Tariffs and Trade: Japan counts many

semi-manufactures and some re-exports as manufactured goods.

Despite the quibbles over definitions, the underlying trend is clear, however. One reason for the increase in manufactured goods' share of Japan's import bill is that falling oil and other commodity prices and determined energy conservation have reduced raw materials' share. But market liberalization, government encouragement of foreign procurement, strong domestic consumption, the strength of the yen and structural economic change are beginning, at last, to have an effect, too.

Since 1981, there have been countless gov-

Continued on page 10



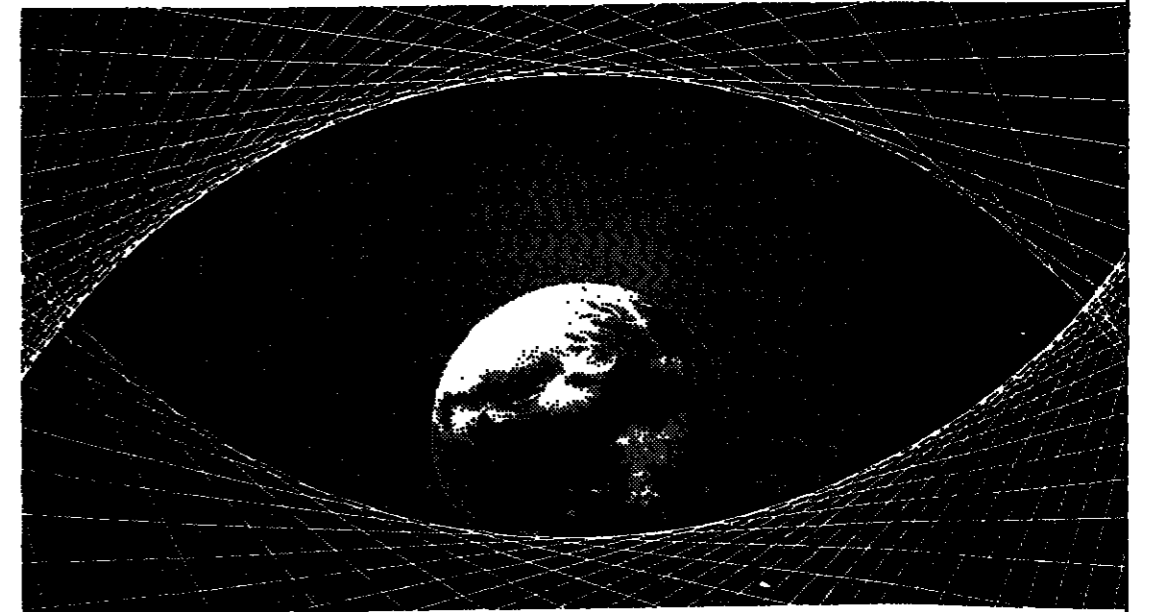
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Defense Technology ■ Revitalizing Aerospace

Attempts to Build Up Aircraft Industry Make Difficult Headway

By Andrew Horvat

TOKYO — Late last month All Nippon Airways, Japan's largest air carrier, made a decision unthinkable just a few years ago. Just as an international consortium with heavy Japanese participation is readying a new kind of jet engine, ANA opted for an engine made by a venture in which there are no Japanese partners.

ANA's choice was front-page news in a country where the revitalization of the aircraft industry, destroyed in World War II, is seen as a national mission by many bureaucrats. "An engine backed by the Japanese government will not fly in Japanese skies," noted the Asahi, a respected national daily.

The engine ANA chose for its proposed 20-plane fleet of 150-passenger A320 Airbus is the French-American General Electric FMS615. The loser was the V2500, made by the Swiss-based International Aero Engine Company, a consortium which included Japan's Ishikawajima-Harima Industries, two other Japanese companies as well as Rolls-Royce, Pratt and Whitney and firms from West Germany and Italy.

ANA's decision to stick with GE, which

supplies jets for much of the ANA fleet, underscored the difficulties that Japanese bureaucrats have had in applying to aircraft the formula by which Japan became a world leader in such industries as steel, automobiles and semiconductors.

In all three examples, the Ministry of International Trade and Industry oversaw a process by which superior foreign technology was made available to Japanese manufacturers, imports were kept out, and nationalistic consumers were relied upon to "buy Japanese."

At present, Japan supplies 96 percent of its own steel, the same ratio of its cars and just slightly less of its semiconductors. Japanese exports in the above three fields have made huge inroads in world markets. Aircraft manufacturing, however, has resisted MITI's success formula. It and aerospace are the two fields in which economic realities have forced Japanese officials to practice what they preach — "internationalization," or *kokusaika*.

In spite of a 20-year effort to build a "pure Japanese" commercial jet, Japan relies entirely on imports. Moreover, the YS-11, the one attempt to build a Japanese commercial plane, proved to be a financial disaster. Production was halted after little more than 170 of the jet-propellers were built.

But MITI did not abandon its plans to create a strong domestic aircraft industry. Aerospace has recently been designated a key industry, just as semiconductors were nearly 20 years ago. In spite of the failure of the YS-11, a MITI branchchild, bureaucrats came up with the YX, a "pure Japanese" jet transport. But after years of internal discussions, the idea was

unhappy with the outcome of the YX. Originally, MITI officials had hoped for a much larger Japanese participation — as high as 50 percent — which would have allowed for a greater number of Japanese engineers to take part and hence more transfer of know-how from Boeing to Japan. The YXX plan, known abroad as the Boeing

to guarantee lower operating costs, per unit price is reported to be high and carries have so far shown little interest.

To many Japanese, the absence of a "pure Japanese" plane is a source of concern. Earlier this year, when a YS-11 slipped off the runway at a provincial airport and dipped its nose into the sea, Transport Minister Shintaro Ishihara made an emotional appeal for backing to replace the aging turbo-prop with another Japanese-built plane.

While MITI has plans for a quiet, 75-seater jet on the drawing boards, dubbed the YS-X, critics have warned that the project can expect to encounter even more turbulence than the YS-11.

Unlike in steel, cars or semiconductors, the domestic market is not large enough to justify the huge development costs of a new airplane. Japan by itself accounts for a mere 6 percent of the world market for aircraft.

The rosiest estimates predict that no more than 150 YS-Xs could be sold in Japan. If Japanese makers join forces with other Asian aircraft manufacturers — in China or Indonesia — the move will probably lead to resentment from Europe and the United States where manufacturers already have equivalent planes

The domestic market is not large enough to justify the huge development costs of a new airplane.

transformed into a three-way venture with Boeing and Aeritalia.

The result was the Boeing 767, of which about 17 percent of the airframe is made by three Japanese companies, Mitsubishi Heavy Industries, Kawasaki Heavy and Fuji, which makes Subaru cars.

MITI bureaucrats are reported to have been

777, has also come as a let-down for the Japanese. Although Japanese participation has been increased to 25 percent and about 250 Japanese engineers are expected to be involved, Boeing is reported to be having second thoughts about what the plane ought to look like.

Although the 777's engine is efficient enough

'Burden-Sharing' Reconsidered

By Daniel Sneider

TOKYO — The demand that Japan contribute more for Western security needs has become a persistent theme in U.S.-Japanese defense relations. Japanese officials are now bracing for the new American administration to again press, with congressional urging, for further "burden-sharing."

The arms negotiator, John G. Tower, a candidate to be the next U.S. defense secretary, said shortly after the election that he expected President-elect George Bush to call on America's allies, in particular Japan, to bear a greater share of the defense burden.

On this issue, a Japanese Foreign Ministry official said before the November election: "We have no illusion it will be easier under a Republican administration. That's something we have to address anyway."

But from both sides of the Pacific, people are questioning what "burden-sharing" really means. Is it simply a question of how big the defense budget is? Or is it more important what the money is spent on? Can Japan contribute more in other ways, such as developing technology?

Until now, burden-sharing has meant nothing more complicated than Japan spending more money on defense. But Japanese defense spending has been increasing at a steady rate. The total amount, now around \$30 billion, already is in the same range as major West European nations such as Britain and France. If Japan spends significantly more, some critics worry, it will threaten to become an offensive military power in the region.

Those who prefer a more limited Japanese military role urge that Japan's wealth be direct-

ed into foreign aid for developing countries that are of strategic importance to the West.

Increasingly, U.S. defense officials and analysts are pointing to a new arena where Japan can do its share for joint security — defense technology. With the U.S. defense budget receding, the idea that Japan can contribute by jointly developing new weapons systems or by providing technology to improve existing ones, has a growing attractiveness.

"It's too expensive for us both to go down the road and develop the same products," Robert McCormick, the deputy undersecretary of defense for industrial and international programs, said recently.

So far, the fruits of this effort at collaboration have been minimal. A 1983 agreement making the United States an exception to a long-standing ban on the export of defense technology has resulted in only two minor transfers of shipbuilding methods.

In an effort to push the program along, defense officials from both countries agreed this fall to begin joint basic research on some new weapons systems, including missile guidance systems.

The real test of technology cooperation, however, has just begun. During this past year, Japan has entered two crucial defense cooperation efforts with the United States — the Strategic Defense Initiative and the new fighter aircraft, the FSX.

In November, the Defense Department awarded \$3 million contracts to two combined U.S. and Japanese defense industry groups to study anti-missile defense systems for the Western Pacific region. The project is part of the SDI program.

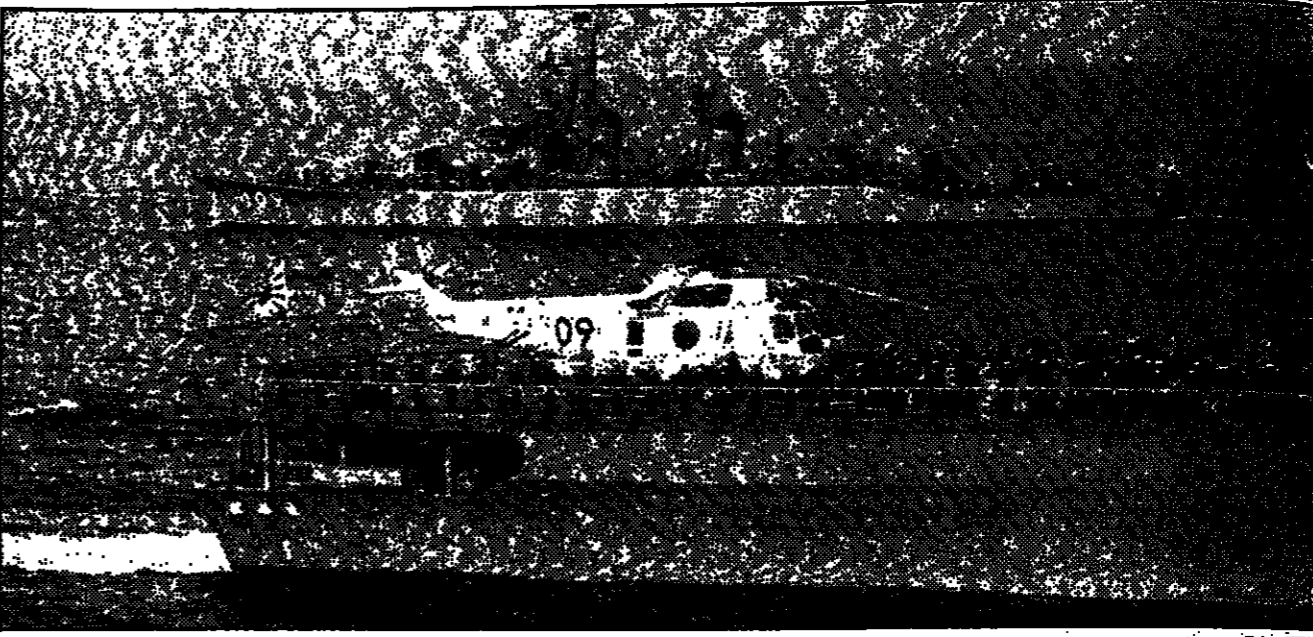
In June, the two governments agreed in principle to cooperate on the FSX, which will be based on the design of the General Dynamics F-16 fighter but which will incorporate Japanese-developed technological innovations. The formal agreement was signed on Nov. 29 and an agreement between the main companies involved, General Dynamics Corp. and Mitsubishi Heavy Industries Ltd., will follow.

The negotiations on the FSX project have been tough. The Americans sought a substantial share of the work on the plane and a guarantee that Japanese technologies would be available for use in the United States. The Japanese want as much work done at home as possible — they originally wanted to have a domestically designed and built aircraft — and to protect their technological innovations from commercial exploitation.

The agreement provides, in principle, for a U.S. work share of 35 percent to 45 percent and for transfer of all improvements and new technology. However, negotiations on the amount of work to be done by each side have not been completed.

U.S. defense officials see possible gains from Japanese materials technology and electronics. But U.S. aerospace and defense firms remain skeptical about how much Japan will really contribute.

"Fifteen or 20 years ago, U.S. industry was all excited about cooperation with the Europeans," commented Jay Browne, a defense executive who heads the U.S. Aviation Industry Association in Japan. "Some of that has happened but not to the extent envisioned at the time. There is some cautious long-term optimism [about Japan]. FSX is going to be the first true test of this cooperation era."



Japanese ships during a naval review.

Previously, Japan was not considered an important source of advances in military weaponry. Most major weapons, particularly aircraft, were either purchased from the United States or built under license here. Japanese firms are barred, by a deeply held policy, from arms exports. Still, the Japanese defense industry has grown in sophistication and is increasingly able to turn out home-grown products.

By the late 1970s, Pentagon officials began to look more closely at what Japan might have to offer. The increasing content of high technology, such as microelectronics in weapons,

meant that Japan's prowess in civilian technology could be, and increasingly was, applied to defense. "Dual-use technologies" were more and more on the Pentagon's shopping list.

The U.S. Department of Defense approached the Japanese government in 1981 about creating a new avenue for transfer of military technology from Japan. At the time, "everybody wondered why the U.S. wanted Japanese military technology... because we considered the U.S. level higher," recalled Hiroo Kinoshita, who headed the Japan Defense Agency's negotiations on this issue.

Under the 1983 defense technology pact, Japan also agreed to encourage private firms to transfer such defense-related technologies.

"Now the attitude of Japanese companies, as in the case of SDI or FSX, is not so reluctant," Mr. Kinoshita said. "Their intentions can be openly discussed in Japanese society without any negative effect."

DANIEL SNEIDER is the Tokyo correspondent of The Christian Science Monitor and of Defense News.

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Stricter L... Fail to Sto... Illegal En...

By Lisa Martineau TOKYO — Japan will not admit it but it now needs the foreign workers which it is trying so hard to keep out, especially... The more the problem of... The 100,000 other foreign resi-... The 100,000 other foreign resi-

U.S. Puts F... To Import

TOKYO — First it was to-... The U.S. is hammering... The feeling is that if rice goes... The reason Japan's farmers are... Japanese farmers are also prob-... The EC's agriculture represen-... In 1985, the average PSE for... Tadamichi Yamamoto of the... prepared to reappraise its sub-... It's a hard issue for Ja-... view of the mid-term re-... and Trade Uruguay Round... is December is what the United

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Stricter Laws Fail to Stem Illegal Entries

By Lisa Martineau

TOKYO — Japan will not admit it, but it needs the foreign workers which it is trying so desperately to keep out, especially the unskilled ones.

Employers are increasingly breaking the law and hiring illegal workers. In a recent survey of small and medium-sized industries in Tokyo, 60 percent of the companies asked said that they needed to hire foreign workers to fill the jobs that young Japanese no longer want.

But the more the problem of unskilled labor shortages grows, the tighter the government shuts the door to those who do it: Asia's poor and unemployed.

Japan has no official immigrants. Forebears of the 700,000 or so Korean and Chinese residents were brought to Japan under duress from former colonies during the Pacific War to man the mines and factories.

The fact that they are still classified as foreigners, right down to their fingerprint-bearing alien card, is indicative of the government's thinking on non-Japanese: that they are potential troublemakers.

The 100,000 other foreign residents are transient business people, diplomats, entertainers, journalists, students, dependents and others who can show just cause for being temporarily in Japan.

In a native labor force of 60 million, only 60,000 foreigners

hold work permits. Estimates for the number of illegal workers vary. The Justice Ministry reckons that there are 70,000, whereas the Labor Ministry puts the figure closer to 150,000. Most come from Pakistan, Bangladesh, China, Thailand and the Philippines.

The surprise is that the figures are not higher. A month of underpaid work in Japan can keep a poor Asian family alive for a year. A Filipina maid can earn in a week in Tokyo what it takes a doctor a month to earn in Manila.

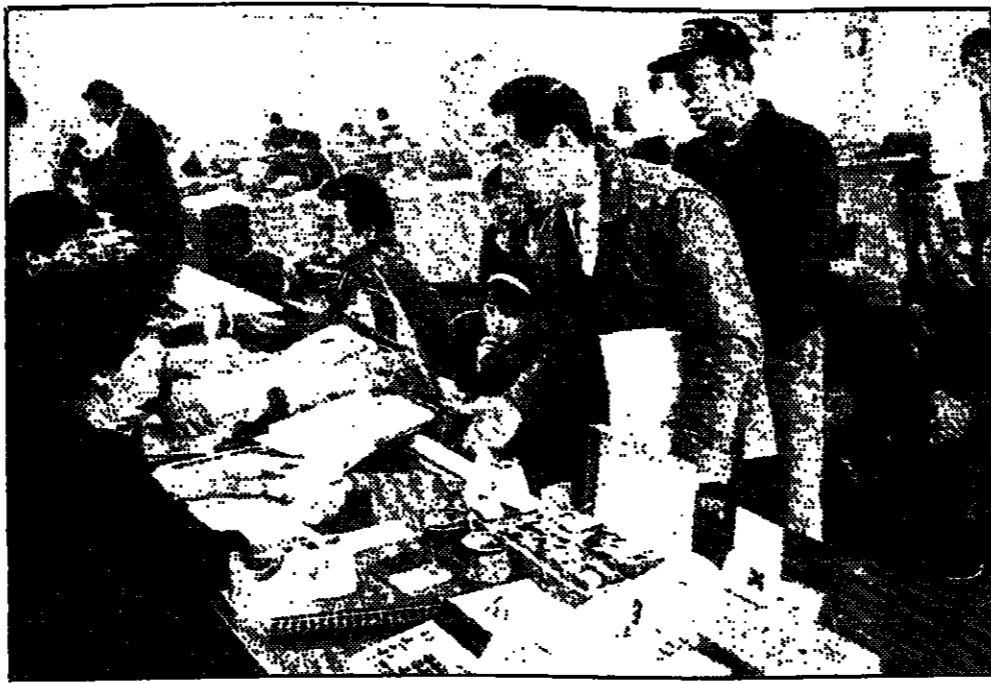
In the first half of this year, 7,100 illegal workers were caught and sent home — up 24 percent over the same period in 1987. For the first time, male illegal workers outnumbered women by almost two to one.

Most of these new male illegals came from Bangladesh and Pakistan.

Over 90 percent of the 17,000-plus Bangladeshis and Pakistanis who came to Japan last year arrived as tourists. Although the authorities caught fewer than 1,350 working illegally, and a further 2,600 in the first nine months of this year, they think many more found jobs.

The government's action was swift. From next January, the reciprocal agreements with Bangladesh and Pakistan, which had exempted tourists from visa requirements, will be scrapped.

"It's better to make entry more difficult," a Justice Ministry spokesman said, "than to have to turn away people from the airport."



An unemployed man applying for a job in Tokyo.

Almost twice as many people, 2,650, were refused entry in the first half of this year than for all of 1987. In the summer, 15 people a day, mostly Asian, were being turned back at Tokyo's Narita

in many cases are a conduit for illegal labor from abroad; sponsors now need to have more money, and from next year schools will be required to teach 30 hours a week instead of 20.

The more unskilled labor is in demand, the tighter the government shuts the door.

Airport because immigration officers suspected that they were coming in to work.

The government has also tightened up rules governing applicants for language schools, which

For the others who come in as tourists, working in Japan is going to become more difficult too.

From the end of this year, Japanese employers caught hiring illegal workers will face heavy fines.

The Construction Ministry has told the governors of prefectures and the heads of 36 construction groups not to hire illegal workers. Next year, the ministry warns, those companies continuing to employ illegals will be barred from bidding and contracting for public-works projects.

Usually, a working visa lasts for a year. In 1987, 600 of the people who applied were turned down for an extension. This year, the figure is likely to be higher.

Much ado about nothing? The Japanese do not think so; they point to Britain's racial unrest and West Germany's problems with guest workers as reasons to keep immigrant labor out.

Another reason is the sense

many Japanese have of themselves and their society as "unique and different."

Japan's refusal to import labor upsets its poorer neighbors, which in turn encourages anti-Japanese sentiment in the very region where Japan says its future interests lie.

Some Japanese realize that sooner or later Japan will have to do something about foreign workers other than shut them out. At least it needs to be doing something. Half a dozen ministerial committees are looking into what, if anything, must be done, as are business groups.

The Labor Ministry and Nikkeiren, the employer's federation, are looking at proposing something on the lines of the Swiss system: a fixed quota of foreign workers, agreed with each country, on two-year nonrenewable contracts.

The Japanese employer would be granted the license, not the worker, and the worker would not be allowed to bring in his or her family, nor stay once the license had expired.

Human rights activists here say that that sounds like the way black workers are treated in South Africa.

And the Justice Ministry, which opposes all foreign workers on "security grounds" and considers them a threat to "Japan's homogeneity," has also become a champion of human rights, calling the proposal unconstitutional because it discriminates between native and foreign workers.

LISA MARTINEAU is Tokyo correspondent for The Guardian.

Tokyo Steps Up Pace As Foreign Aid Donor

By Roger Buckley

TOKYO — Japan is about to chalk up yet another gold medal to add to its growing international collection. Senior officials in Tokyo are confidently predicting that their nation will shortly overtake the United States as the world's No. 1 provider of foreign aid.

For Japan, the West and the developing world, this is welcome news and an example of the cooperative shifts taking place in Japan's external relations.

Recent information released here by Japan's Foreign Ministry on Official Development Assistance (ODA) boasts that there has been "spectacular growth" since last year. It admits, however, that part of this improvement is the consequence of the yen's appreciation against the dollar, and it acknowledges that "international expectations of Japan's assistance are growing" and that more still needs to be done to disarm the overseas critics. Many in the West persist in viewing Japanese foreign aid as little more than a euphemism for massive export promotion by Japan Inc.

Western pressure and increased receptivity in Tokyo to statements of the need for Japan to assume greater international responsibilities are achieving results. Government statistics suggest that Japan's ODA of \$7,454 billion in 1987 was a substantial improvement over the previous year in both dollar and yen terms.

By the end of fiscal 1989, Japan will have leapt from the United States to take its new crown as top of the aid league. This should demonstrate even to the cynics that Japan is capable of delivering on its promises. It can only assist Prime Minister Noburo Takeshita in his future dealings with other Western leaders and dispel the lingering image at home that Mr. Takeshita would prove a pushover when it came to summit diplomacy.

His record to date after 12 months in the post suggests that provided he sticks to his briefing papers, he can hold his own without undue difficulty.

Mr. Takeshita is starting to fulfill the pledge he made at this year's Toronto advanced nations summit to double Japan's aid total to more than \$50 billion between fiscal 1988 and fiscal 1992. Yet change of this magnitude will not be easy, and there remain several domestic hurdles that still have to be cleared.

Expectations of Japan in light of the presidential election victory of George Bush may further increase. Japanese press commentators have emphasized that foreign aid is now seen in Washington as an important component in the evolving U.S.-Japan relationship.

Mr. Takeshita has already stated that the way forward for the two Pacific allies is "by sharing responsibility in a global perspective." Informed sources in Tokyo assume that the Bush administration will urge Japan to boost strategic aid to pro-Western regimes in the Asian-Pacific region, citing assistance to the Aquino government in the Philippines as an important example.

It is likely that regional "burden sharing" will increasingly devolve to Japan and that more Asian states will look to Tokyo rather than Washington for foreign aid and financial packages. Japan is already the principal aid donor to 25 countries in Asia, the Middle East and Africa.

The next questions on the aid agenda are con-

cerned not only with quantitative but also with qualitative improvement of Japan's aid structure. Coherent policies and assurances that funds raised will be used effectively are required if the present public approval of aid is to be maintained in the future.

Misgivings over the misappropriation of funds allocated to the Philippines during the Marcos era have not been put to rest. Opinion surveys conducted in October last year by the Japanese prime minister's office suggested that earlier positive views of foreign aid may be leveling off.

The youth of Japan still react favorably to the concept of foreign aid but the government's present

In fiscal '89, Japan will surpass the U.S. as top provider.

priority on Asia is meeting with less approval as the Japanese "discover" Africa.

Among those who continue to regard Japanese aid in a favorable light, the major reasons cited are the contributions that Tokyo can make to global stability, the need for humanitarian assistance to the Third World and Japan's international duty as a surplus nation to consider other nations. A loose but generally positive political and social consensus appears to exist within Japan on which an improved aid structure could be constructed.

The need to establish new aid goals was admitted by the Foreign Ministry in October when it recognized that parts of Japan's current aid programs had bad gaps.

The Foreign Ministry, the leading bureaucratic actor in a bureaucratic state, suggested that higher priority should be accorded to the poorest African states and that greater attention ought to be placed on environmental issues as urged recently by former Foreign Minister Saburo Okita.

He wants financial projects in timber-producing countries such as Indonesia and Malaysia to be more rigorously scrutinized and would like to see an end to the wasteful Japanese practice of providing disposable chopsticks in each and every restaurant and snack bar throughout the nation.

Much still needs to be done to galvanize the forces of the Japanese state and private industry over foreign aid, but the contrast between the timidity of a decade ago and the current scale of expenditure deserves qualified approval.

Future improvements can only lead to a wider international role for Japan as part of its increasing self-confidence in foreign affairs. There can be no retreat now to the bunker mentality, ODA has already played its part in destroying the remnants of Japanese isolationism.

ROGER BUCKLEY is Associate Professor of Political Science at the International Christian University in Tokyo. He is author of "Occupation Diplomacy: Britain, the United States and Japan, 1945-1952" (Cambridge University Press, 1982), and "Japan Today" (Cambridge University Press, 1985).

U.S. Puts Pressure on Tokyo To Import Rice From Abroad

TOKYO — First it was tobacco, then beef and oranges. Now Japanese farmers are bracing themselves for yet another onslaught, this time on the holiest of holies — rice.

The United States is hammering at the door, insisting that Japan should allow in at least some foreign rice. It is a battle that Professor Kenji Horiguchi, an economist at the Tokyo University of Agriculture, says could prove to be the Japanese farmers' last stand.

"The feeling is that if rice goes, the government will have lost its will to ensure the survival of Japanese agriculture," he says. "Farmers may just give up and leave everything to imports."

The reason Japan's farmers are so thoroughly uncompetitive in international terms is that most farms are too small to be viable entities on their own. Few have grown in size since land redistribution immediately after World War II allowed farmers to retain no more land than they could tend themselves unaided. The average is about one hectare (2.47 acres).

Japanese farmers are also probably the most heavily subsidized in the world, although Mr. Horiguchi insists Japan's subsidies are non-aggressive, since they are designed to protect food supplies at home rather than to help farmers export. He accuses the United States and the European Community of being particularly aggressive.

The EC's agriculture representative in Tokyo, Albrecht Rothacher, says: "We're all sinners when it comes to subsidies, with the possible exception of Australia and New Zealand, but Japan is by far the most heavily protected." Mr. Rothacher cites the OECD formula, known as the producer subsidy equivalent, or PSE, which takes into account both border protection and straight subsidies, and expresses them as a proportion of overall costs.

IN 1985, the average PSE for all farm products was 66.7 percent in Japan, 39.7 percent in the EC and 26.1 percent in the United States. Bad weather the following year pushed the figures up to 75.2 for Japan, 49.3 for the EC and 35.4 for the U.S.

Tadamichi Yamamoto of the Foreign Ministry's Economic Affairs Bureau says: "Market forces should be let to play a larger role, but we also contend — and this is supported by all governments in the Group of Seven and the OECD — that noneconomic factors are of importance in agriculture. Agriculture does not only function as an economic activity."

The worry is that whole communities might vanish if cheap imports make agriculture unprofitable. But the question constantly being asked, and increasingly inside Japan itself, is why should Japanese consumers pay six times the world price for wheat, eight times for rice and nine times for sugar?

Mr. Yamamoto says that Japan is prepared to reappraise its subsidy system, but sees no reason to go it alone. "It's a hard issue for Japan, but we are ready to talk."

The sort of talking he wants to hear in return at the mid-term review of the General Agreement on Tariffs and Trade Uruguay Round in December is what the United

States plans to do about its waiver system, which exempts 13 agricultural items from normal GATT regulations. If Japan's restrictions on rice are to go, so should the waivers. Japan is also highly critical of the European Community's Common Agricultural Policy.

One of the greatest ironies about the debate over Japanese agriculture is that it is the least efficient who are likely to survive any major removal of restrictions on agricultural imports. Small farms and mechanization enable 85 percent of Japanese farmers to tend their fields as a part-time hobby at the weekends, gaining their main income from other sources.

AIKO Yamanaka runs a typical part-time farm in Saitama prefecture, an hour's commuting distance from Tokyo. She handles all the work herself on the family's 1.2 hectares growing rice and vegetables, with her husband taking a few days off work as a heating engineer at planting and harvest time. Although she complains about the 10 percent reduction in rice subsidies over the last two years, one thing Mrs. Yamanaka is determined not to do is give in to government urgings to sell or rent her fields to full-time farmers.

Such reluctance prevents Japan achieving the economies of scale possible in Europe and North America. Even professionals like Ryoichi Iura, who now controls 22 hectares in Niigata prefecture, has to travel across seven different municipalities to reach all his fields. He enjoys the scenery, but it is hardly a recipe for efficiency.

Japan does not have the open expanses of land to set up cattle ranches, but it does have the money to buy them elsewhere. In July, less than three months after Japan agreed to start lifting quotas on foreign beef, Nippon Meat Packers paid an estimated \$9 million for 5,000 hectares of grazing land on the Darling Downs in Queensland, Australia. The cattle and farm hands will be local, but the animals will be reared to Japanese standards — and under Japanese management.

Officials in the Food Agency admit that Japanese farmers are unlikely ever to cut their costs by more than half. If subsidies and quotas are to go, their best policy for survival will lie in better marketing strategies.

Potato farmers in Hokkaido no longer sell their crops to food processors for little return; instead they make their own potato chips and turn in a big profit. Shigeki Nomoto earns \$80,000 a year from his tiny orange grove on the island of Shikoku by producing several different varieties of citrus on the same tree through skilled grafting techniques. They mature at different seasons, so he has a year-round crop.

Wakako Hironaka, an opposition member of parliament, believes that the government underestimates the resilience of Japanese farmers. Japanese workers have survived the changes brought about by the rise in the strength of the yen. Farmers should be able to adapt in the same way, she says.

Officials are moving toward that position at no more than a snail's pace. They, of course, are fully aware that the government's main support lies in the rural con-

tinuities, but even that is changing. It is estimated that only one farmer in five has someone willing to take over when he becomes too old to work the fields. That eventually should not only shift the power of the rural vote, but also release vast tracts of land for real farmers to get on with the job.

David Powers

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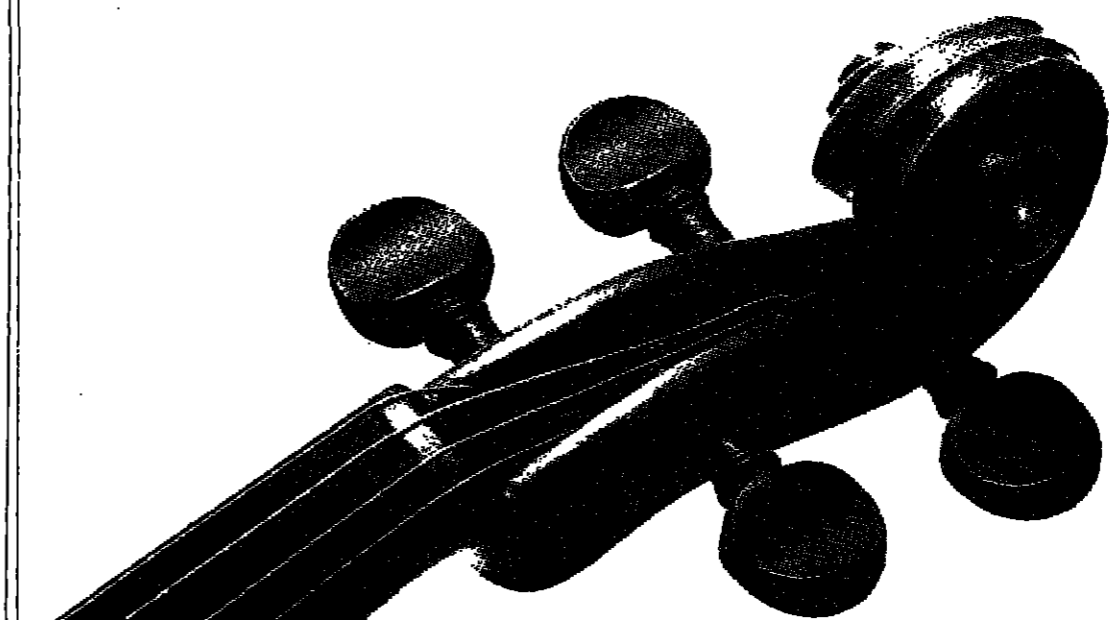
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Imports: A Political Priority

Continued from page 7

Official procurement of foreign goods has been stepped up, though the total was worth only 54 billion yen (\$446 million) last year. This has been topped up by a 139-billion-yen procurement program announced in May 1987 as part of the government's most recent emergency measures to improve access to Japanese markets in order to defuse trade friction over the country's export surplus. Two-thirds of this extra money is being spent in the United States on big-ticket items such as aircraft and helicopters. Most of the remaining third has gone to Europe for precision machinery.

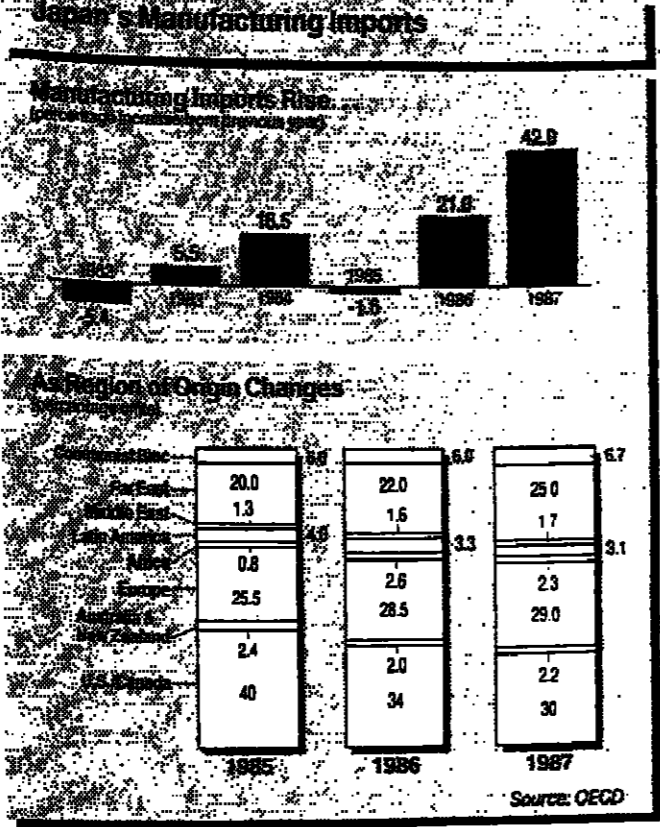
The government says Japan's average tariff rate on imports is now lower than those of the European Community and the United States, and that it is cutting or abolishing remaining ones. Discriminatory quotas on foods such as beef and citrus fruit and discriminatory taxes on imported alcohol are going.

Official procurement of foreign goods has been stepped up, though the total was worth only 54 billion yen (\$446 million) last year. This has been topped up by a 139-billion-yen procurement program announced in May 1987 as part of the government's most recent emergency measures to improve access to Japanese markets in order to defuse trade friction over the country's export surplus. Two-thirds of this extra money is being spent in the United States on big-ticket items such as aircraft and helicopters. Most of the remaining third has gone to Europe for precision machinery.

The government has also told private companies to increase their foreign procurement. Despite Japanese companies' reluctance to upset long-term relationships with their suppliers, this appeal is falling on more responsive ears now that the strength of the yen is finally starting to make imports cheaper.

Companies have felt the benefit of lower yen import prices earlier than consumers. Though it was as long ago as September 1985 that the major industrial countries agreed at the Plaza Hotel in New York to devalue the dollar, it is only now that prices of foreign goods in the shops are starting to fall.

Import prices for raw materials, intermediate goods and final goods are at around 30 percent, 75 percent and 80 percent of their pre-Plaza levels, but the domestic wholesale price index has only fallen 10 percent and consumer prices have been flat-to-rising slightly. The many layers of the manufacturing and distribution system between customs post and



shop shelf have absorbed much of the windfall benefit of the high yen for industry.

Although since 1985, imports of consumer goods have grown twice as fast as imports of capital goods, Japan is still hard going for all would-be importers. Technical standards and certification procedures remain a hurdle, if a lower one than before. Neither does price alone sell a good in Japan. Quality and after-sales service matter, too. Breaking the existing long-term relationships between supplier and customer is difficult. In wholesale distribution, these are often cemented by long-term credit terms.

The distribution system is an enduring hindrance to importers. It is labyrinthine. It tends to restrict the flow of foreign goods to the bigger stores in the bigger cities. It inflates prices. Its inefficiencies have been tolerated because of its social role in providing jobs.

The rise in manufactured imports is also creating new distribution channels, notably for:

• Direct imports. Several large stores groups will now arrange international mail-order catalogue sales for their customers. The post office plans a similar service.

• Paralleled imports from third countries, particularly of cars and alcoholic drink. These get round sole agency agreements that have been notorious in jacking up the prices of foreign goods.

• Reverse imports of goods made in Japanese factories overseas such as Ohio-made Honda Accord and Australian-made Mit-

Foreigners Struggle for Share of Markets

TOKYO—The problem for foreign firms in Japan's highly compartmentalized financial markets is not so much access as being the new boys on the block. So large are the leaders in most industries that it is difficult and costly for new entrants, foreign or Japanese, to challenge those already entrenched. Only when markets are new or when the rules are rigged in their favor do newcomers have a chance to compete on even terms.

Getting licenses is no longer the main problem. In most financial businesses in Japan now, virtually any qualified foreigner who wants in is admitted on the same terms as any Japanese house.

In some businesses, foreign firms have an advantage. Foreign commercial banks, for example, are allowed into the securities business through 50 percent-owned subsidiaries. Japanese commercial banks are kept out by Article 65 of the Securities and Exchange Law, Japan's equivalent of the U.S. Glass-Steagall Act, which separates commercial and investment banking.

But access to a market is a different matter from making money in it. There will always be some business for foreign firms servicing investment into Japan, but the real market is in servicing Japanese clients because that is where the money is.

Most foreign financial houses, whether banks, securities houses or investment management firms, find themselves to be small fish in a very big pond in Tokyo, however big they are at home. They cannot hope to compete against the domestic giants in retail financial services, such as commercial banking or stockbroking, which require extensive branch networks or in capital-markets services to institutional investors that require a deep capital base or an extensive range of Japanese company clients.

Where they can compete is in businesses

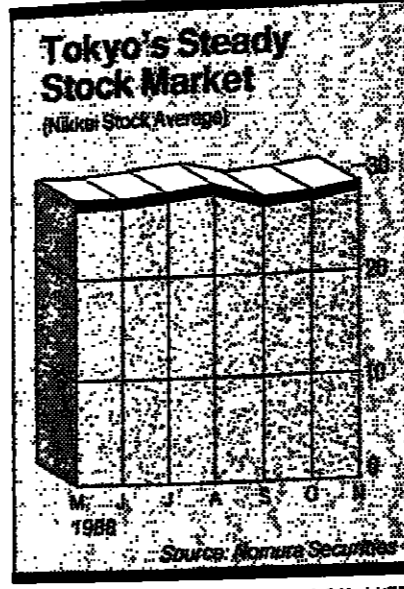
in which they have special expertise, such as asset management, at which Japanese firms are generally weak; or because of their expertise in markets that are new to Japan, such as swaps and financial futures; or because of their knowledge of, and contacts in, foreign markets that let them sell services such as merger-and-acquisition or fund-management advice.

The great hope for many foreign firms is the pension-fund management business. Once the duopoly of the trust banks and life insurance companies is broken. It is just the sort of high-skill, low-capital requirement business in which foreign firms can thrive.

It is not impossible to compete head on with the biggest Japanese firms, but it must be done selectively and with a strong commitment. The fifth-largest capitalized securities company in Tokyo is Salomon Brothers, which injected more than \$300 million of capital into its Tokyo-based Asian subsidiary in 1987. A firm needs a deep pocket if it is to be able to hold the inventories of stock and bonds necessary to service Japanese institutional investors.

Undeniably, Salomon's is a force in the dollar and yen government-bond markets in Tokyo. But it is an exception rather than a rule. It is also an exception in the amount of money it makes. It is the only financial firm among the top 80 most profitable foreign firms in Japan in all businesses. It ranks a more than respectable 26th.

In the year to September 1987, Salomon's accounted for three-fifths of the trading profit reported by all the 37 foreign firms licensed to deal in securities. That still amounted to only 11.1 billion yen (\$91.2 million) among them. Japan's fixed commissions on stock trades was a lifeline for them, providing 110.7 billion yen out of total combined revenues of 133.7 billion



Source: Nikkei Securities

Only 17 of the 37 reported a pretax profit. For the first half of the current year only eight of the 43 firms now licensed reported a profit.

One caveat to the figures is that for tax reasons foreign securities companies want to book as much of their Tokyo profit as possible outside Japan. The Japanese tax authorities are clamping down on this. However, with Tokyo's sky-high rents to pay for offices and expatriate staff's homes, there are plenty of costs (overheads totaled 116 billion yen in the year to September 1987) to keep down the potential tax liability of Tokyo branches.

The Ministry of Finance was so worried that some foreigners might pull out of To-

kyo because of costs that, when the Tokyo Stock Exchange announced a second round of new memberships last December, it got the 16 successful foreign applicants to promise that they would not give up their seats for at least five years. Defections would have been embarrassing given the pressure that had been applied by foreign governments and the Finance Ministry to get the xenophobic membership of the Tokyo exchange to let in more foreigners.

The cost of membership is still daunting. A firm needs up to \$2 million for fees and associated start-up costs. Its salesmen have to sell a lot of stocks to get that back in the savings resulting from not having to pay a member a one-third cut of the commission for executing a trade.

There are now 22 foreigners among the 115 members of the Tokyo Stock Exchange. The unsuccessful candidates last time round, most notably Barclays de Zoete Wedd, James Capel and Chase Securities, still have their hats in the ring. It is also likely that the exchange will have to make room for French-owned firms, such as Alcatel, Laing & Cruickshank, when France's own financial markets are opened in 1990 and Japanese brokers can join the Paris bourse.

By the standards of the foreign securities companies, the foreign banks in Japan are having a hard time, though by their own modest standards, they have had a good year. The 81 foreign banks made a combined pretax profit of 61.4 billion yen in the year to March 1988, compared with 32.8 billion yen (for 79 banks) a year earlier, according to Post Marwick Minato, the local arm of the international accountancy group.

Paul Maidment

U.S. Car Makers Fighting to Defend Own Territory

By Roger Schreffler

TOKYO—"We have met the enemy and he is us." The famous line from the cartoon strip "Pogo" could well serve as the epitaph for the U.S. automobile industry if it fails to defend its home market against the Japanese in the coming two to three years.

Already, the battle lines are drawn—in Michigan, Ohio, California, and elsewhere throughout North America—and most signs point to an industry shakeout in the early 1990s, when overcapacity is expected to reach 3 million units.

For America's big car makers, which long have attributed the Japanese auto industry's success to essentially cultural characteristics and unfair market practices, often ignoring obvious management and technical skills, they fi-

nally will be given a chance to prove themselves right—or wrong.

"U.S. automakers have not moved aggressively enough to eliminate their disadvantages," asserted Tony Moyer, an industry analyst for SBCI Securities in Tokyo. "Their efforts appear to be limited and somewhat half-hearted." Clearly, that has not been the case with the Japanese.

Their combined investment in North American assembly plants is close to \$6 billion, and that does not include engine and component production. Twelve plants, including joint venture facilities with the big three U.S. producers, are scheduled to be in operation by mid-1991, with planned production capacity of 2.5 million vehicles, or roughly one-fourth of total capacity in the United States and Canada.

Since November 1982, when the first Accord rolled off Honda Motor

Co.'s Ohio assembly line, Honda has been joined by seven other makers, including Toyota Motor Corp., Nissan Motor Co. and Mazda Motor Corp.

Initially, these projects were planned to bring key components from Japan, including most high-valued parts such as engines, transmissions and electronic gadgets and control devices. That has changed. A combination of political and long-term strategic considerations has forced makers to rethink the entire issue of parts procurement, and most now are committed to purchasing upward of 70 percent of their materials and components locally.

Questions of international division of labor aside, the U.S. components industry simply was too weak to deliver as recently as three years ago. All but the largest Japanese suppliers—companies like Nippondenso Co., Aisin Seiki Co. and Calsonic Inc.—were wary of

the financial and political risks involved with investing literally tens of millions of dollars in offshore production.

There now are more than 300 Japanese auto suppliers in the market, through subsidiaries, joint ventures and buyouts.

Increasingly, General Motors Corp., Ford Motor Co. and Chrysler Corp., the U.S. big three, are becoming dependent on these companies. Last year, Nippondenso sold a reported \$350 million worth of components to the three makers, up from \$60 million in 1983.

As for the big three, they have no immediate cause for alarm. At least on the surface, GM, Ford and Chrysler all seem to be on solid ground, having registered record or near-record profits in each of the past three years.

Still, there is something very unsettling about this particular "recovery." Profits were achieved in a

With Pro More Jap Travel A

By Anne G. Pepper

TOKYO—In the autumn of 1987, as Japan's trade surplus with the rest of the world hovered near \$100 billion, the Japanese government announced a plan aimed at doubling the number of overseas travelers from the fiscal year level of 5.5 million to 10 million by the end of 1991.

The Ten Million Project, as it is called by the Ministry of Transport, was intended not only to offset some of the trade surplus by increasing Japan's deficit in services, but also to encourage the country's notoriously workaholic labor force to take more time to travel abroad, as more people traveled abroad, the pace of internationalization would be quickened.

Measures taken by the government to promote the Ten Million Project include providing assistance to developing nations for more development cooperation with foreign governments unable to maintain tourist promotion efforts in Japan, allowing more charter flights to take off for overseas destinations from regional airports, fostering school travel and encouraging travel and tourism-related businesses in

Internati

By Christine Chap

TOKYO—At an urban desk to give the meeting a raw feel, speakers were applauded for during the coffee break a special feature for the Japanese cost-

management of an uncomfortable Japanese emphasis on "water" as a national motto for end-of-the-year only so far. To the obliging city away for imps abroad and buying, ending, studying English conversational seminars and listening to foreigners to learn.

It does not include a desire for its coverage in newspapers and television. Government flexibility in opening Japan's market to the world is a study.

A sense of belonging to the world and Shunichi Kato, Japan's itinerant actor, during an interview on the coast internationalization" or *kokusaika*.

"Most people who talk about it do not. But internationalization is a Japanese culture. Internationalization is reality, and the media have made through 90 percent of the content television is concerned with Japan, Japan, papers and TV ignore foreign. The Japanese mentality is not in a closed community mentality. The employee is concerned a

Perspectiv

Continued from page 7

Recent rises in overseas rates, for instance, suggest that a fundamental shift away from export-led growth has not yet taken place. Equally, the highly elastic response to recent U.S. demands for access to the Japanese market seem no different than they would have been a decade ago.

For many economists, the economic challenges of internationalization are crystallized in the nation's continuing trade surplus. This year it is expected to drop only marginally from the \$94 billion reported for the fiscal year to March 31. Yet, there is little apparent awareness outside the international community that the trade-adjustment process is the most central element of Japan's willingness to assume genuine global citizenship.

"To me the internationalization means developing a more realistic idea of what we are doing in the world," said Akio Mikuni, a prominent business consultant in Tokyo. "Any scientific analysis would show that we have to cut the trade surplus drastically. But most economists still assume a chronic surplus over many years, perhaps at slightly lower levels. We're just not there yet."

For most political analysts, last year's advances toward a more internationalized Japan are likely to be a broad evolution toward a more diverse and individualistic society. It is only through this process, they assert, that such changes as the current import of new symbols of status and the rise of new fashion trends across the board, the core issue of the challenge is the reconstruction of the political system to be more responsive to democratic changes and the new power of the ruling party stands to be a repositioning in an attempt to reposition seats in the Japanese parliament, where the power of up to three times that of others exists.

More fundamentally, there is an

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Tourism ■ World Views

With Prodding, More Japanese Travel Abroad

By Anne G. Pepper

TOKYO—In the autumn of 1987, as Japan's trade surplus with the rest of the world hovered near \$80 billion, the Japanese government announced a plan aimed at virtually doubling the number of overseas travelers from the fiscal 1986 level of 5.5 million to 10 million by the end of 1991.

The Ten Million Project, as it was called by the Ministry of Transport, was intended not only to offset some of the trade surplus by increasing Japan's deficit in invisibles, but also to encourage the country's notoriously workaholic labor force to take more vacation. Additionally, as more people traveled abroad, the pace of Japan's much-vaunted goal of "internationalization" would be quickened.

Measures taken by the government to promote the Ten Million Project include providing assistance to developing nations for tourism development, cooperating with foreign governments unable to maintain tourist promotion offices in Japan, allowing more charter flights to take off from overseas destinations from regional airports, fostering school trips abroad and encouraging travel and tourism-related businesses in

Japan to expand their investment overseas.

At about the same time that the Ten Million Project was announced, the government raised the amount of merchandise that Japanese travelers can bring home tax free from 100,000 yen to 200,000 yen (\$825 to \$1,650).

Many people both in and out of the Japanese travel industry believe that the number of Japanese going overseas would have reached 10 million by 1991 regardless of what the government did.

"I think the 10 million figure will be reached in three or four years, not five," said Koji Coto of Hankyu Express International, "barring the outbreak again of war in the Middle East, or something of that scale."

The regional director of the Asia/Pacific Office of the U.S. Travel and Tourism Administration, Fritz Schmitz, said, "The 10 million is a drop in the bucket compared with the real potential. We think there's easily 50 million Japanese who can afford a trip to the U.S. these days."



Japanese tourists in Europe visiting Mont Blanc.

28 percent increase over the first six months of 1987.

However, they represented only a small portion of the overall population of 122 million. In 1987, only 5.6 percent of Japan's population took a trip overseas, compared with 34.7 percent of the West Germans, 44.6 percent of the British, 18.2 percent of the French, and 16.3 percent of Americans.

Over 80 percent of the Japanese who left the country in 1987 traveled for pleasure rather than for business, and among pleasure travelers the fastest growing segment was women, especially young women.

The price of imported goods in Japan has not declined proportionately with the yen's rise, and savvy shoppers are quickly realiz-

ing the bargains that can be found overseas. Two favorite destinations are the duty-free ports of Hong Kong and Singapore.

Although Japanese are spending an increasing amount of money overseas, it is difficult to assess how much of that amount actually offsets the trade surplus. Complaints are often heard that Japanese tourists fly largely on Japanese-owned airlines, stay in Japanese-owned hotels and shop in Japanese-owned stores.

Japan's international tourism deficit in 1987 was \$8.66 billion, up from \$5.77 billion the year before, and the 1988 figure is projected to represent another substantial increase. But while the tourism deficit is growing, it has a

long way to go before it equals the deficit piled up by the peripatetic West Germans: \$15.77 billion in 1987. (West Germany also has a huge trade surplus.)

The preference for short vacations means a preference for closer destinations, and this has been a cause for concern within the European travel industry. A report commissioned by the European Travel Commission last July criticizes the Japanese government for not having done more — in line with the Ten Million Project — to promote longer vacations.

ANNE G. PEPPER, a journalist based in Tokyo, is a columnist for the Japan Times.

1992: New Opportunities?

Continued from page 7

States, but the message was clear — do not cut out Japan at the same time.

Japan sees Britain as a strong potential ally as the integrated West Germans: Already there are more than 80 Japanese-owned factories in Britain, a presence seen by some Europeans, particularly the French, as a Trojan Horse in the community. "But you invited us there for exactly that purpose," says Mr. Fujiwara of Keidaiun. He echoes the views of many Japanese businessmen who are enthralled at the prospect of access to the huge market that an integrated EC represents, if they can get it.

One of the biggest areas of contention is automobiles. France is already refusing to accept Nissan cars built in the northeast of England as British-made, and counts them as part of the 3 percent quota it has set for Japanese cars. Although Britain welcomes Japanese investment as part of its strategy to reduce unemployment, many Europeans regard Japanese factories as "screwdriver assembly plants" using cheaper local labor simply to assemble components imported from Japan. Europe's answer has been to insist on a high level of local procurement, and it has had no hesitation in using anti-dumping legislation against companies that refuse to adhere to the threshold of 40 percent local parts.

Nissan's British-made cars now contain roughly 70 percent of local parts, and the aim is 80 percent or more. "We regard them as British cars," Wyn Roberts, minister of

state for Wales, assured the Japanese when he visited Tokyo in October. "If necessary, we'll take France to the European Court to gain access for them."

The Japanese government says it will regard the whole question of cars after 1992 as a test case of the constant assurances being put out by EC officials that "Fortress Europe" is a myth.

Europe 1992, however, will cover or large areas, such as financial

Tokyo fears the world may split into blocs that leave Japan outside.

spokesman in Tokyo, says the community is not in the business of passing such tests. Japan exports 1.1 million cars a year to the EC, while trade in the opposite direction is fewer than 100,000 vehicles.

He admits that some quantitative restrictions on Japanese cars will remain, to give European manufacturers time to reorganize. "However, it does nobody any good at all to judge 1992 by one sector," says Mr. Lake. "It's like trying to judge the health of an elephant by the state of one of its kneecaps."

EC officials say the community accounts for 20 percent of world trade, and the stake of all 12 EC countries in ensuring the continuation of that trade is so high that

DAVID POWERS is a radio reporter for the British Broadcasting Corp. in Tokyo.

'Internationalization,' a Reality and a Myth

By Christine Chapman

TOKYO—At an urban development conference here, three foreign experts were invited to speak to give the meeting an international flair. Their speeches were applauded loudly.

But during the coffee break a special room was set aside for the foreigners so the Japanese could avoid them and the embarrassment of an uncomfortable session.

The Japanese emphasis on "internationalization," almost a national motto for end-of-the-century good will, goes only so far. To the obliging citizen it means saving money for trips abroad and buying foreign goods while traveling, studying English conversation, going to ethnic restaurants and listening to foreigners in concert halls or at the lecture.

It does not include a desire for increased foreign news coverage in newspapers and television broadcasts or for government flexibility in opening Japan to the thousands of Southeast Asians who want to study and work here.

"A sense of belonging to the world is very limited here," said Shiroki Kato, Japan's itinerant academic and constant critic, during an interview on the country's infatuation with "internationalization," or *kokusaika*.

"Most people who talk about it don't know what they mean. But internationalization is both a reality and a fashion," said Mr. Kato, 68, the author of several books on Japanese culture. "Internationalization of the economy is the reality, and the media have made the idea fashionable, although 90 percent of the content of newspapers and television is concerned with Japan. If it doesn't affect Japan, papers and TV ignore foreign news."

The Japanese mentality is not internationalized, but insular, a closed community mentality as in the corporations. The employee is concerned with what's going on

inside the company. He has not developed the habit of communicating with anyone outside the group, including his own wife. She's an outsider, and foreigners are extreme outsiders.

The outspoken Mr. Kato has admitted that he keeps himself "on the margin of Japanese society." Some Japanese consider him "the moral conscience of Japan," others a maverick.

His opinions are sought after at home and abroad, where he lectures on Japanese culture in universities from Mexico City to Moscow. His focus includes Japan's enduring economic success story and the confidence the Japanese have gained from it.

Calling "sustained economic power" Japan's real internationalization, Mr. Kato lists its characteristics: worldwide trade, the licensing to developing countries of industrial technology, the emergence of the yen as an

'A sense of belonging to the world is very limited here.'

international currency, industrial investments abroad and joint ventures in Japan, the opening of the financial market to foreign banks and foreign investment here, the Japanese purchase of foreign stocks and bonds.

This economic internationalization seems to imply an increase in social contacts, but Mr. Kato believes that a

familiarity with foreigners is not occurring. "It's getting to be more and more a serious problem that the insular mentality created," he said. "Contact is needed. Its lack is connected to the trade friction."

Another peculiarity of Japan's international behavior is its preference for the West and Westerners, specifically for the United States. "Internationalization" and "Americanization" are almost synonymous.

"International" is a euphemism for "American," Mr. Kato agreed. "An example is *shikawa*, English conversation. What counts is to talk in English. Korean and Chinese are not so international," he said.

Universities offer multiple English classes in conversation, linguistics and literature, but very few courses in Korean, the language of Japan's nearest foreign neighbor. A deeper perversion of the idea of "internationalization" is the reverse side of that label: nationalism, or neo-nationalism as Mr. Kato calls it, is the result of Japan's pride in its strong economy. "It's a reaction to the loss of confidence in the postwar years. Once everything Japanese was bad, now everything is good because of the GNP."

According to Mr. Kato, "GNP nationalism" is widely spread, but it has "not crystallized as coherent ideology." "It's a diffused feeling," he insisted. "As such, it's not dangerous, but the process is going on steadily. This nationalism is based on self-confidence that comes from internationalization of the Japanese economy. It is doomed to be self-contradictory."

Historically and politically, there is another drawback to Japan's new nationalism. According to Article 9 of the postwar constitution, Japan renounced war and claimed "land, sea, and air forces, as well as other war potential, will never be maintained."

CHRISTINE CHAPMAN is a journalist based in Tokyo.

Perspectives Differ on the Need to Globalize

Continued from page 7

sphere: Recent rises in overseas sales, for instance, suggest that a fundamental shift away from export-led growth has not yet taken place. Equally, the highly emotional response to recent U.S. demands for access to the Japanese rice market seem no different than they would have been a decade ago.

For many economists, the economic challenges of internationalization are crystallized in the nation's continuing trade surplus. This year it is expected to drop only marginally from the \$94 billion reported for the fiscal year to last March 31. Yet, there is little apparent awareness outside the bureaucracy that for the international community the trade-adjustment process is the most central measure of Japan's willingness to assume genuine global citizenship.

"To me the internationalization issue means developing a more realistic idea of what we are doing in the world," said Akio Mikumi, a prominent business consultant in Tokyo. "Any scientific analysis would show that we have to cut the trade surplus drastically. But most forecasts still assume a chronic surplus over many years, perhaps at slightly lower levels. We're just not there yet."

For most political analysts, lasting advances toward a more internationalized Japan are likely to come only when the nation begins a diverse evolution toward a more diverse and individualistic society. It is only through this process, these analysts assert, that such phenomena as the current import binge — the BMWs and all the other new symbols of status and wealth — will amount to more than superficial fashions.

emerging view that the long-avoided question of constitutional revision must ultimately be opened if Japan is to behave as a sovereign nation. In general, this notion remains discredited, since it is supported only by ultra-rightists and neomilitarists, from whom proponents of the "peace constitution," which severely limits Japan's defense commitments, claim to be protecting the nation and the world.

But until this issue is addressed, can Japan decisively break the postwar mold and assume its proper place in the world? The argument is simply this: Vague notions of Japan as an unarmed world peacemaker only serve to deflect serious debate about Japan's past, sustain a deep sense of irresponsibility among the Japa-

nese and prevent the nation from accepting the risks naturally associated with new obligations. At this sense, Mr. Nakasone was at least partly misunderstood among his western counterparts. In essence, Japan's greatest contemporary internationalist stood for the reinterpretation of nationalist impulses in forms acceptable to the rest of the world.

"I never felt the constitution was an area that needed to be discussed in the years after the war," Mr. Hamed, the ruling party legislator, acknowledged in an interview. "But in the future it is something that will have to be debated more clearly."

Prime Minister Noboru Takeshita has revealed the strengths and weaknesses of Japan's internationalization effort more clearly

than most political analysts anticipated when he took office a year ago. His record in solving key political and economic issues — farm imports, tax reform and others — is admirable by any measure. But his traditional methods have only underscored the extent to which Japan today is still a matter of *plus ça change, plus c'est la même chose*.

Mr. Takeshita's greatest triumph, the recently passed legislation that will modernize the national tax system, is an important part of the internationalization process, since it will eventually encourage greater domestic consumption. But in pushing it through the Diet, the prime minister ironically demonstrated that democracy in Japan remains severely limited when put to a test. Many social analysts hang

hopes for the inner internationalization of Japan on generational change. But others argue that changes in the Japanese system — changes that are largely political — will be required if substance is to be given to the appearance of change that a younger generation offers.

"Japan's cosmopolitanism is still very superficial," said Yoshikazu Sakamoto, a respected political scientist in Tokyo. "We can talk about a new breed of Japanese, but many of our young would revert to traditional values if a crisis were to arise."

PATRICK L. SMITH is the International Herald Tribune's bureau chief in Tokyo.



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Markets

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30

Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for various countries including Australia, Canada, and New Zealand, with columns for Issuer, Con, Mat, Price, and Yld.

Japan

Table listing Japanese government bonds with columns for Issuer, Con, Mat, Price, and Yld.

France

Table listing French government bonds with columns for Issuer, Con, Mat, Price, and Yld.

Germany

Table listing German government bonds with columns for Issuer, Con, Mat, Price, and Yld.

Italy

Table listing Italian government bonds with columns for Issuer, Con, Mat, Price, and Yld.

Spain

Table listing Spanish government bonds with columns for Issuer, Con, Mat, Price, and Yld.

UK

Table listing UK government bonds with columns for Issuer, Con, Mat, Price, and Yld.

DM Zero Coupons

Table listing DM zero coupon bonds with columns for Issuer, Con, Mat, Price, and Yld.

Mutual Funds

Table listing various mutual funds with columns for Fund Name, Con, Mat, Price, and Yld.

Supranational

Table listing supranational bonds with columns for Issuer, Con, Mat, Price, and Yld.

DM Straights

Table listing DM straight bonds with columns for Issuer, Con, Mat, Price, and Yld.

United Kingdom

Table listing UK straight bonds with columns for Issuer, Con, Mat, Price, and Yld.

United States

Table listing US straight bonds with columns for Issuer, Con, Mat, Price, and Yld.

Non-European

Table listing non-European bonds with columns for Issuer, Con, Mat, Price, and Yld.

Western Europe (Other)

Table listing other Western European bonds with columns for Issuer, Con, Mat, Price, and Yld.

DM Zero Coupons

Table listing DM zero coupon bonds with columns for Issuer, Con, Mat, Price, and Yld.

Advertisement for WestLB, featuring the text 'Fixed Income and Equities Trading - for dealing prices call:' and 'One of the leading marketmakers'.

Advertisement for 'New Intern' with a large graphic and text.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Volume Still Sets Records, But Growth Is Slower

By Carl Gewirtz

International Herald Tribune

PARIS—Although a record volume of money has been raised in the international financial markets this year, the net increase is slowing sharply, according to data published last week by the Bank for International Settlements.

The Swiss-based bank's quarterly survey of international banking and financial markets, covering the first six months of the year, puts the net increase at \$141 billion, a 14 percent decline from the previous six months and a drop of 30 percent from the same period a year earlier.

The net figures for the global international market, which contrast sharply with the record \$244 billion of gross new borrowing, are a new feature of the bank's quarterly reports.

Thanks to "a marked improvement in the statistics available on net credit flows through the international bond market and on new Eurozone placements," the bank said it is now better able to estimate the overlaps between financing through the securities market and bank lending.

Key points of the latest report are: Net international bond financing totaled \$65.4 billion in the first half, up sharply from the \$36.7 billion in the crisis-depressed previous quarter but trailing the \$73.5 billion of the first half last year.

The size of the international bond market, which was \$997 billion at the end of the second quarter, surpassed the \$1 trillion mark at the end of the third quarter, with \$1.02 trillion total debt outstanding.

This made the international market the third largest behind the domestic bond markets of the United States and Japan.

The short-term securities market expanded by \$13.9 billion in the first six months, to \$66.5 billion, of which \$48.3 billion was Euro-commercial paper. By the end of the third quarter, the amount of paper outstanding had risen to \$72.6 billion.

International bank lending, totaling \$95 billion in the first half, was 30 percent below the previous

six months and 37 percent lower than the year-earlier period.

Less double-counting of some \$33.3 billion, the net lending figure for the first half totals \$141 billion, compared with \$163 billion in the previous period and \$202 billion in the year-ago half.

The Bank for International Settlements said it doubted whether the slowdown in bank lending represented a renewed trend towards the disintermediation of banking, a shift away from using bank credit in favor of securities financing.

While the implementation of uniform minimum capital requirements for banks "will have repercussions on international bank lending," the bank cited three factors to support continued activity by banks:

Bank loans "remain the most obvious substitute for floating-rate notes," a sector of the bond market that never fully recovered from the disruption caused by the collapse of the market in perpetuals at the end of 1986. So far this year, \$16 billion of floating-rate notes has been issued in the bond market compared to \$47 billion in all of 1986.

The loan market is used to hedge open foreign exchange and interest rate positions and, via the swap market, to lay off risks associated with activity in the securities markets.

The bank loan market "will probably continue to play a prominent role in providing financial backing for acquisitions and merger activity."

The report also showed continued growth by Japanese banks, with total international assets rising \$269 billion in the year ended in June, to \$1.56 trillion.

The June total was some \$60 billion lower than in March, but that decline may not be very significant, as the March end of the fiscal year is always followed by a large unwinding of purely window-dressing operations.

The Japanese banks, which in 1985 were a close second behind the Americans, now show assets 152 percent bigger than the \$620 billion of the U.S. banks. French banks remain in third place with assets of \$362 billion.

But the bank's report noted that "cross-border business with related offices amounted to over half of the international lending" of Japanese banks, and that "over 80 percent of their final lending to non-banks can be estimated to have been channeled to Japanese residents."

The figures show that the Japanese are net lenders to non-banks and net borrowers from the inter-bank market. By contrast, the West German, British and U.S. banks still have a competitive advantage, since the bulk of their deposits come from non-banks.

Meanwhile, in the syndicated bank loan market last week, a rare Swiss borrower made an appearance. The actual borrower is Dutch-based Omnicorp International BV, a unit of Omni Holding of Switzerland, which is the principal investment vehicle of the industrialist Werner K. Rey.

Citibank has arranged a \$100 million, three-year revolving credit facility to provide financing for the borrower's investment and merchant banking activities.

The facility carries an annual commitment fee on undrawn amounts of 25 basis points and an interest rate on drawings of 6 1/2% basis points over the London interbank offered rate. Banks underwriting \$10 million are offered a front-end fee of 20 basis points.

Citibank is also arranging a \$1 billion revolving credit facility for Montedison USA to refinance an \$800 million bridge loan which expires next February.

The new seven-year facility carries an interest charge of 7 1/2% basis points over Libor for the first two years, rising to 3 3/4% basis points in the following two years and 50 basis points in the last three years.

Montedison will pay a commitment fee of 12 1/2% basis points on undrawn amounts and front-end fees ranging up to 15 basis points to banks underwriting \$75 million.

First Security Corp., a Utah-based bank holding company, is seeking a \$50 million credit to replace a facility arranged in 1986 and set to expire next year.

Interest on the new three-year credit is tied to its credit rating, which is currently triple-B-plus. At present, First Security will pay a commitment fee of 25 basis points and a drawing charge of 37 1/2%.

The credit rating rises to single-A or better, the charges drop to a commitment fee of 20 basis points and a drawing cost of 25 basis points.

Chase Manhattan is arranging two loans for Spanish borrower denominated in European currency units. Aesca, a privately owned motorway operator, is seeking 80 million ECU (\$95.9 million) for seven years, paying 17 1/2% basis points over Libor. Endessa, a government-owned electric utility, is seeking 180 million ECU for six years with interest set at 15 basis points for the first four years and 17 1/4% thereafter.

The proceeds were used to refinance a \$500 million floating-rate note redeemed last August that Credit National was funding on a short-term basis. An offer to swap the new bond into floating-rate funds at a remarkable level—just over 50 basis points below the London interbank offered rate—was the motivating factor. Bankers said such a low level could only be achieved thanks to a subsidy from the lead manager, the Long-Term Credit Bank of Japan, which effectively paid for the privilege of bringing Credit National to the market.

Bankers said the heavy flow of issues denominated in European currency units and Australian dollars was more a function of attractive swap opportunities for issuers than a reflection of investor demand—of which there currently is very little.

Of interest to market professionals was last week's election of Jerome Goldstein, managing director of Sanwa International Ltd. in London, as chairman of the Council of Reporting Dealers. The council, an autonomous body within the Association of International Bond Dealers, comprises 116 financial institutions—the leading market-makers—which set and enforce the rules for trading Eurobonds in the secondary market.

EUROBONDS: Issuers Call to Investors With Premiums for Options

(Continued from first finance page)

offering investors an extra 15 basis points, compared with Enskilda's 16.

The scaling back became clearer when Bank of Tokyo entered the market, setting the spread on its \$100 million issue at 60 basis points over the yield on Treasury paper, a scant six basis points more than it would otherwise pay. Clearly, the Bank of Tokyo was playing on the appetite of Japanese investors for 10 percent coupons and felt no need to satisfy the desires of spread-sensitive European investors.

Nevertheless, the pricing raised questions about the durability of the revival in the sale of callable paper. Bankers acknowledge that there will always be a pocket of Japanese buyers for paper bearing coupons of 10 percent or more. But a wider international appeal, these critics maintain, can only be developed if terms are pitched to give European investors the higher spread over Treasury yields that they find attractive.

Credit National of France, which also borrows in the name of Interfinance Credit National without the explicit state guarantee, tapped the market for \$160 million for four years at a cost of 39 basis points over the Treasury yield—a level that investors hungry for tri-

ple-A sovereign-guaranteed paper found quite acceptable.

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U.S. Bonds End Week Unchanged

United Press International

NEW YORK — Although the bond market fell sharply Friday in response to a significantly stronger-than-expected employment report, it ended the week little changed because of steady gains made through Thursday.

The Labor Department reported that the jobless rate rose 0.1 percentage point in November to 5.4 percent but the economy added 463,000 non-farm payroll jobs, almost double what analysts had expected.

Prices of U.S. Treasury issues fell on the news, with most of the losses coming immediately after the report was issued.

Elizabeth Reiners, a vice president and money market analyst at Dean Witter Reynolds Inc., said the nonfarm payroll jump was the "biggest surprise." It fueled fears that the Federal Reserve Board would raise the discount rate, which it charges on loans to financial institutions, in an attempt to slow the pace of economic growth and keep inflation under control. The discount rate currently stands at 6.5 percent.

On Monday, major money center banks raised the prime rate by half a percentage point to 10.5 percent.

Some market watchers predicted the employment report would impel the Fed to take aggressive action to tighten credit. In fact, many said they had expected a discount rate hike to occur on Friday if the employment figures for November came in strong.

Others, however, said they believed the employment report was not as alarming as it first seemed. Ms. Reiners noted that October's nonfarm payroll figure was revised downward and the manufacturing workweek and overtime were unchanged. But the bond market "did not want to focus on that," she said.

The Treasury's 30-year bonds ended the week 1/32 higher at a price of 98 1/4 and a yield of 9.17 percent. The yield was unchanged from the previous week.

In the market for mortgage-backed securities, benchmark Government National Mortgage Association issues fell a quarter of a point on the week.

Rates on three-month Treasury bills ended the week at 8.05 percent, up from 8.02 percent. Rates on six-month bills rose to 8.24 percent.

U.S. CREDIT MARKETS

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Treasury Bonds

Table with columns: Maturity, Bid, Ask, Yield, and % Chg. Lists various Treasury bond maturities and their market data.

U.S. Consumer Rates

Table with columns: Item, Rate, and % Chg. Lists various consumer rates like 1-year T-bill, 3-month T-bill, etc.

Euromarkets At a Glance

Table with columns: Eurobond Yields, Weekly Sales, and Libor Rates. Provides a snapshot of international market data.

GM May Seek Refund From Hughes

By Andrea Adelson

New York Times Service

LOS ANGELES — General Motors Corp. said it has begun arbitration proceedings with the Howard Hughes Medical Institute to determine if a partial refund of the \$5.2 billion it paid to acquire the Hughes Aircraft Co. is warranted.

Roger B. Smith, GM's chairman and chief executive, said the proceedings would focus on one multi-year contract held by Hughes. That contract was canceled by the Navy a month before the acquisition of Hughes, but no penalties were imposed on the company until 1986.

"Since all parties wanted to proceed with closing the transaction, it was agreed that an arbitration panel could be used to decide later whether or not an adjustment in price is appropriate," Mr. Smith said.

The largest U.S. automaker, which acquired the military electronics company in December 1985, is apparently seeking restitution for unexpected losses, which include an estimated \$180 million penalty stemming from the aborted Navy contract, the Los Angeles Times reported.

The company failed to develop adequately a jam-resistant communications system, and the Navy extracted the penalty by reducing the prices it paid for other equipment, Allen E. Puckett, the former chairman of Hughes, said in an interview from his Los Angeles home.

The dispute is being arbitrated by a panel consisting of Griffin B. Bell and Nicholas deB. Katzenbach, both former U.S. attorneys general, Robert H. Bork a former federal appellate judge.

Others, however, said they believed the employment report was not as alarming as it first seemed.

British Steel Offering 3.3 Times Subscribed

Reuters

LONDON — The £2.5 billion (\$4.64 billion) offer of stock in British Steel PLC, the latest British privatization, was 3.3 times subscribed when applications closed Friday, the government's adviser, Samuel Montagu & Co., said Sunday.

Paul Richards, a Montagu director, said, "We are delighted with the excellent response to the offer."

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Prices were mixed last week, with some issues moving ahead on encouraging signals from overseas and others dropping back. The ANP-CBS general index was virtually unchanged at 272.8 against 272.9 the previous Friday.

There was active interest in small issues, and total turnover was steady at 4,854 billion guilders, compared with 4,875 billion the previous week.

The market benefited from an improved Wall Street and a reduction in the bearish sentiment surrounding the dollar.

The Kempen & Co. brokerage said it saw a continuation of the uptrend in smaller stocks.

Frankfurt

Prices finished lower, with the Commerzbank index losing 9.1 points on the week to 1,579.3. Some dealers said that low volume indicated that the year-end pause had begun.

Volume on the eight exchanges totaled only 10.83 billion Deutsche marks, against 11.54 billion the prior week. The dull trend was partly caused by higher interest rates in Britain, Switzerland and the United States.

A highlight of the week was the plunge of a former market star, Nixdorf, the computer group, which lost 66.60 DM to finish at 294.50. Private earnings forecasts were sharply revised downward.

London

A gloomy tone persisted, with the market continuing to suffer the effects of poor trade figures and the subsequent one-point increase in interest rates.

The Financial Times industrial index ended the week 22.9 points lower at 1,439.7, while the FT 100-share index closed at 1,765.0, off 29.7 points.

On Monday, fears that the strong pound would erode profits of major exporters unsettled trading. A modest technical rally lifted prices on Tuesday and Wednesday, but thereafter, growing concern over flotation of British Steel darkened the tone. In the event, the issue was oversubscribed, but that brought little relief on Friday.

Oil stocks were also depressed, as traders speculated whether the OPEC production agreement would hold.

Milan

Stocks managed a modest gain. The Comit Index finished the week at 585.25, up from 580.21 the previous Friday.

Paris

Volume was slightly higher, averaging 145 billion lire a day, against 125 billion the previous week.

Among major gainers, Montedison rose 2.84 percent on the week, Ferruzzi Agricola 1.40 percent and Fefin 0.1 percent.

The president of the Italian Stockbrokers' Association, Ettore Fumagalli, said the market faces good prospects for 1989.

Tokyo

Prices soared on the Tokyo Stock Exchange, with the 225-issue Nikkei stock average closing at a record high of 29,665.50 yen, up 301.91 on the week.

Analysts said the Nikkei is expected to reach 30,000 yen in the next few days and that prices would continue advancing at least until the end of January on the back of Japan's strong economy.

The Tokyo market overcame negative factors from the United States, including a slightly higher unemployment rate, as market participants, encouraged by bright prospects for local company earnings, actively sought steel, high-technology, shipbuilding and shipping issues, brokers said.

The daily value of stocks traded averaged 138 trillion yen, up from 1.03 trillion the previous week.

Zurich

Operators were hesitant and trading was dull. The Credit Suisse index inched up to 509.9 points from 504.5, but the Swiss Bank Corp. indicator dipped to 547.0 from 547.8.

Nestlé's recent decision to open its registered shares to foreign investors continued to give rise to rumors of similar moves by other big Swiss companies, but nothing has materialized.

Oerlikon bearer stock lost 35 francs to 1,050, Compagnie de Reassurance bearer 850 to 10,050 and Sandoz bearer 200 to 10,200.

Japan Official Says France Affirms Investment Stance

Agence France-Press

TOULOUSE, France — French officials have given assurances that they will not retreat from a decision to eliminate prior government permission for foreign investment in France.

Shoichi Akazawa, president of the Japan External Trade Organization, said Friday he had received the assurances from Roger Fauroux, French Industry Minister, during a meeting here.

"At present there is no longer any need for prior permission from the state for foreigners to make direct investments in France," Mr. Akazawa said. "I asked Mr. Fauroux if his government intended to go back on that point, and he reassured me."

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MILKEN: Dream of Creating Market to Raise Funds For New Companies Turns into Legal Nightmare for King of Junk Bonds

(Continued from first finance page)

Mr. Milken's legal problems have been heavy and overwhelmingly negative. Lori Milken said she has told her children that their father is a victim of the establishment.

The Milkens have two sons, 12 and 15, and a 7-year-old daughter.

Another image of Mr. Milken is portrayed in a 184-page civil complaint filed in September by the SEC. It is a portrait of a man who allegedly traded on inside information, manipulated stock prices and violated numerous other securities laws, primarily through an illegal stock trading arrangement with Ivan F. Boesky, the now-imprisoned speculator.

The SEC charged that Mr. Milken was involved in certain illegal arrangements that facilitated huge corporate takeovers. Over time, big

takeovers have generated fat merger advisory fees for Drexel and even larger financing fees when the firm handled the sale of high-yielding junk bonds. Drexel and Milken have denied the SEC charges.

Planning his legal defense has required Mr. Milken to go back in time mentally and review over and over transactions, events and conversations that took place years before. That, too, is taking its toll.

"Living in the past when you've lived your whole life in the future is depressing," Mr. Milken said.

If Mr. Milken has had an abiding principle that has guided him over the years, he said, it is that one person can make a difference in this world. "I am fascinated by what has happened in history due to one person," he said.

Mr. Milken's vision has been to provide capital to small and medi-

um-sized companies by selling what came to be known as junk bonds, and his hard work turned the idea into a market that today exceeds \$150 billion.

Since the day he joined Drexel in 1960, he said, he has never expected more of others than he expected of himself.

"Maybe we set our objectives too low, in school, in our daily lives," Mr. Milken said.

Drexel's bond department specialized in high-grade issues, but Mr. Milken headed into convertible bonds — bonds that can be converted into common stock under certain conditions — and other less-glamorous financial instruments, including the bonds of troubled companies.

He began to make millions of dollars a year for Drexel by buying and selling these bonds. Because most analysts were focused on high-grade bonds, this area had less competition and therefore provided greater profit potential.

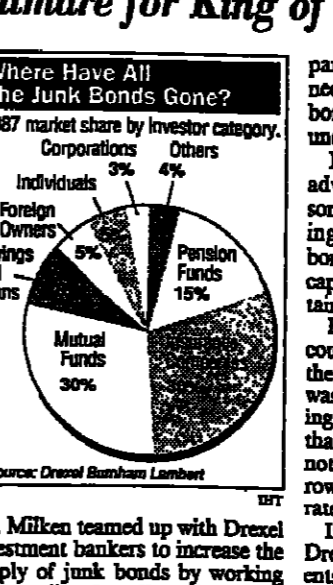
His analytical skills enabled him to dissect troubled companies so that he could identify which would fail. His persuasive yet deferential personality helped him to sell the bonds of the more promising company to aggressive investors trying to capture higher returns than

those available on high-grade issues.

The basic theory of junk bond investing has been that by buying a diversified portfolio of them, investors can earn a higher rate of return than on more conservative securities. Even if some of the companies whose bonds investors held went broke, the higher yields on the rest of the bonds would more than compensate.

The universe of junk bonds was once more limited, consisting in part of bonds of high-grade companies that had come upon hard times, so-called "fallen angels." Had Mr. Milken been content to make millions of dollars trading these, he might have been just another rich bond trader on Wall Street.

Instead, aware of a tremendous investor demand for higher yields,



panies. These companies obtained needed capital by issuing new junk bonds, with Drexel handling the underwriting.

For the issuing companies, the advantages were numerous. In some cases, raising money by selling long-term, fixed-rate junk bonds gave companies access to capital they could not have obtained elsewhere.

Even for those companies that could obtain money from banks, the advantage in junk bonds often was enormous: rather than obtaining floating rate loans from banks that could be called in on short notice, the companies could borrow funds on a long-term, fixed-rate basis in the junk bond market.

In 1978, not long after he and Drexel began helping corporate clients sell new junk bonds, Mr. Milken, then 32, moved his operation

and about 30 employees to Los Angeles, where he opened a new Drexel office.

Once in California, Mr. Milken and his colleagues began working early to get to the office by 4:30 a.m. Mr. Milken said it was possible to work a 14-hour day in Los Angeles and still get home in time to have dinner and spend time with the family. Some associates say another motivation was to gain independence from headquarters in New York.

Had Mr. Milken and Drexel been content to finance companies in need of capital, junk bonds would not have become controversial. But starting in 1984, they turned to their base of wealthy investors to finance a series of hostile takeover bids for major corporations.

Chicago Exchange Options

Figures as of close of trading Friday, Dec. 2

Option & price	Colls	Puts	Option & price	Colls	Puts
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15

NASDAQ National Market

OTC Consolidated trading for week ended Friday, Dec. 2

Sales in 100s High Low Close	Net	Sales in 100s High Low Close	Net
Ally	1.15	Ally	1.15
Ally	1.15	Ally	1.15
Ally	1.15	Ally	1.15

American Exchange Options

Figures as of close of trading Friday, Dec. 2

Option & price	Colls	Puts	Option & price	Colls	Puts
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15
Dec 1000	1.15	1.15	Dec 1000	1.15	1.15

Wall Street Review

Country/Currency	12 months (HSBC issues)	ONE-YEAR SAVINGS (HSBC issues)	6 months (HSBC issues)	3 months (HSBC issues)	
Austria**	A Sch 0660 396	4,400	3,808	2,500	1,250
Belgium**	B Fc 021 218 45 43*	11,000	7,200	6,000	3,800
Denmark**	D Kr 0430 90 89	2,700	1,304	1,500	830
Finland**	F M 091 60 30 30*	1,700	1,334	970	540
France	F Fc 05-636 436	1,500	1,230	830	455
Germany**	D M 0130 25 31	580	402	320	176
Gr Britain	£	135	83	74	41
Greece**	Dr 091 02 43**	23,500	23,820	13,250	7,300
Ireland	Ir	155	118	85	47
Italy	Lira	380,000	295,200	200,000	110,000
Luxembourg	L Fc 09 49 80	11,000	7,200	6,000	3,300
Netherlands**	R 06-022 08 15	600	420	340	185
Norway**	N Kr 021 41 34 89*	2,000	1,276	1,100	600
Portugal**	Esc 011 80 71 22*	26,000	26,780	14,300	7,500
Spain**	Pas 091 401 29 00*	31,000	21,780	17,000	8,400
Sweden**	S Kr 008 21 01 90*	2,000	1,276	1,100	600
Switzerland	S Fc 046 05 48 00	455	455	265	141

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MONDAY SPORTS

SIDELINES

World's Strongest Woman? Chinese

JAKARTA (Reuters) — China's Han Chang Mei laid claim to the title of world's strongest woman at the women's world weightlifting championships on Sunday. Han beat Karyn Marshall, her American rival in the over 82.5 kilogram (183 pounds) category, with a record-breaking lift of 132.5 kilograms (293 pounds) in the clean and jerk — the heaviest weight any woman has lifted.

Marshall, who held the old record of 125 kilograms, lifted 127.5 kilograms on Sunday but had to settle for the silver medal. A total of 18 world records were set at the championships.

Finnish Ski Jumper Gains in Canada

THUNDER BAY, Ontario (AP) — Risto Laakonen of Finland added the 120-meter hill gold medal Sunday to the silver he won in the 89-meter competition here on Saturday to gain the biggest medal haul in the first World Cup competition of the season.

Erik Johnsen, who earned a spot on the Norwegian Olympic team a year ago, came in second Sunday on jumps of 123.5 and 122 meters.

Third place went to Saturday's gold medalist, Dieter Thoma of West Germany. Thoma had two jumps of 122 meters.



Dieter Thoma

Indiana Wins College Soccer Title

BLOOMINGTON, Indiana (AP) — Sean Shappert's penalty-kick goal with 10:06 to play in the first half gave Indiana a 1-0 victory over Howard University on Sunday in the championship match in Division I of the National Collegiate Athletic Association.

Shappert's ninth goal of the season gave the No. 9-ranked Hoosiers their third national title. Their first two were in 1982 and 1983. In the semifinals on Saturday, Howard defeated South Carolina and Indiana beat Portland.

Tennis Pros Reject Council Offer

NEW YORK (AP) — The Association of Tennis Professionals rejected a last-minute proposal by the sport's ruling body Friday and announced detailed plans for a new player-run men's tour beginning in 1990.

The format for the new tour is similar to one outlined Thursday by the Men's Tennis Council, which has run the Grand Prix circuit since 1974. But the ATP said the council waited too long to come up with its compromise plan.

"If they had put their document on the table at the U.S. Open, we probably wouldn't be standing here today," said Hamilton Jordan, the ATP's chief executive officer.

If the ATP and the Men's Council both proceed with their current plans, there will be two competing tours in 1990.

For the Record

In Fukuoka, Japan, Toshiro Shibasaki of Japan on Sunday overtook the marathon world-record holder, Belayneh Densamo of Ethiopia, in the last 100 meters (330 feet) to win the 23rd Fukuoka International Marathon. (AP)

Iraq, banned from hosting international soccer matches during the Gulf War, will guarantee the safety of athletes playing within its borders and thus can return to hosting matches, a senior Iraqi official has said. (AP)

Quotable

"Kareem Abdul-Jabbar of the Los Angeles Lakers, who is retiring from basketball this season: 'I've had enough competition for a couple of lifetimes.'" (AP)

Lendl Beats Edberg, Becker Stops Hlasek to Gain Masters Final

Compiled by Our Staff From Dispatches

NEW YORK — Ivan Lendl, playing his best tennis in three months, reached the final of the Nabisco Masters on Sunday for the ninth consecutive year, beating Stefan Edberg of Sweden, 6-3, 7-6 (7-4).

In the other semifinal, Boris Becker of West Germany became the first to beat Jakob Hlasek of Switzerland in this tournament, with a 7-6 (7-2) 7-6 (7-3) triumph that put him into Monday night's final against Lendl. After a loss to Hlasek in the opening round, Lendl now has won three matches in a row.

Lendl complained repeatedly about spectators taking flash photographs of his match. Two persons were ejected after ignoring warnings by chair umpire Emilio Panatta. Becker and Hlasek, the two hottest players on the tour, put on a sizzling display before the noisy crowd at Madison Square Garden.

The decisive edge came in the tie breakers. Hlasek made five errors in the first, and Becker won the second with the help of two spectacular running shots. (UPI, AP)



Hlasek: 'Andre gets impatient. He wants to hit winners.'



Agassi: 'I wasn't willing to dig out the extra shot.'

the players responsible for establishing the new order themselves ousted from the Nabisco Masters.

Mats Wilander of Sweden, who ended Lendl's three-year reign at the top of the world rankings last September in the U.S. Open, was eliminated from the season-ending

tournament by Edberg, his countryman, 6-2, 6-2.

And Andre Agassi, who emerged as the best U.S. player this year, moving up to No. 3 in the rankings, lost his second straight in the competition, a 6-3, 6-2 defeat by Hlasek, of Switzerland. That came on

the heels of his 1-6, 7-6 (7-3), 6-3 loss to Lendl on Friday night, when Hlasek had beaten Tim Mayotte of the United States, 7-5, 6-3.

In the final match that night, Becker, of West Germany had clinched a semifinal berth when Henri Leconte of France retired in

the second set with a sprained left ankle. Leconte, trailing by 6-0, 1-0 at the time, was eliminated from the tournament. He had sprained his ankle Thursday night in a loss to Wilander.

In the complicated system of breaking ties to determine who ad-

vances, Agassi was officially eliminated when Lendl won his first set Saturday against Mayotte in the last of the round-robin matches. Lendl went on to win it, 6-2, 3-6, 6-3.

Thus, Hlasek, 3-0 in match play, gained one of Sunday's semifinals, against Becker (2-1), while Wimbledon champion Edberg (2-1) was to play Lendl (2-1) in the other.

In the first set, Edberg stayed on the baseline, mirroring his shots, most of which looked as if they were hit by a weekend hacker in a public park. But the strategy had its desired effect as Wilander was unable to find a rhythm.

Hlasek's strategy against Agassi was to be patient, keeping the ball in play because, he said, "Andre gets impatient. He wants to hit winners."

Agassi said it was a matter of not being motivated enough to work as hard as he had to in order to win.

"I can hit winners or play 50-stroke points," he said. "Today, though, I wasn't willing to dig out the extra shot."

In Agassi's match Friday night, Lendl prevailed even though he won fewer points and fewer games.

"I think I bring out the best in his game," said Agassi, who now is 0-3 against Lendl, including a loss in the U.S. Open semifinals last year. "He doesn't want to get beat by me."

Thousands Were Right, but Not the One Double Triple Zero

For 25 consecutive days, no one had picked the top three horses in both the third and fifth races at Laurel Race Course outside Washington, D.C. The Double Triple jackpot had grown to a record \$1.8 million. Then, Friday, 8,322 people picked the right three in the third race, and 30 of those were on the money in the fifth race, with the 4-13-11. But it no longer was the jackpot of a lifetime: with 30 people splitting it, each got \$60,977, not almost \$2 million. The following lament came from a bettor who was not even among the 8,322 celebrating after the third race.

By Tony Kornheiser

Washington Post Service

LAUREL, Maryland — System? Sure I had a system. And not something stupid like license plates or jockey's silks colors. I did a code.

Know how you leave the race track with \$1,000? Easy. Come with \$2,000. But I didn't come with \$2,000. And I left after the third race. Need I say more?

Honestly, I can't believe I didn't win this thing. (Luckily the payoff per ticket was only \$60,977.50, so it's not like we're talking about real money.) I was confident. My hickynums were good, my moon was rising, and I wore my lucky underwear. If I could bring some live tickets into the fifth race — the second half of the Double Triple at Laurel — I was a lock.

Oh, sure, everyone thinks that a race of 2-year-old maiden fillies — half of whom had never raced before — is indecipherable. But they don't understand track mannes like I do. The fifth was a breeze: Skating Lady, Windy Royal, Mighty Justice. I didn't stick around for the race, but I'm sure if you check the results you'll see I was right.

A gigantic Double Triple like this brings everyone out of the woodwork. (A survey of area librarians revealed that the question asked most often last week was: How do I get to Laurel?) Around the grandstand you saw all sorts of furtive-

looking people: guys working calculators, guys carrying satchels of money, guys wearing fake noses because they called in sick and don't want their bosses to recognize them on the TV coverage.

And the betting lines. Sheesh! By the time you had walked all the way to the end, you were in another school district. After the third race, the cars were in such a stampede to get out it looked like the Oklahoma Land Rush.

I just missed, by the way, in the third race. Yeah, I had all three horses, the 11-1-6 combination. But I had them to finish 5th, 8th and 10th.

For future reference I'm going to explain how I doped out the race — and I use the word "doped" advisedly. First, I eliminated all horses whose names made reference to house pets or anything you can get at a salad bar. Then I scratched jockeys I don't like, numbers I don't like, colors I don't like and any horses named after English Restoration poets.

The third race didn't seem too difficult. It was a \$5,000 claimer, and as my friend Jay so aptly put it, "With horses like this you don't have to Einstein it. They've proven their mediocrity. It's a question whether they're fully lame, or just partially lame." I don't much care for trendy techniques like speed handicapping, trip handicapping, the Bounce Theory, the Dosage Index or the Parallax View. I look for names and numbers I like, then I watch the post parade to see whether the horse I've bet the mortgage on isn't a first cousin to the one that fell asleep standing up in the movie "Cat Ballou."

There were some special bets I set up for the Double Triple, but I didn't have enough money. For example, I wanted to wheel all the numbers the Boston Celtics had retired, but I needed \$130,000.

Anyway, I wound up making seven bets — all of which I'm going to try and sneak onto the expense account because,

heaven knows, if I'd won, I'd have given all the money to my employer. I picked the three best names in the race: Back Alley Jack (I'm a Carole King fan), Safe On Second (I'm a Lon Brock fan, too) and Trophy Man (not a show stopping name, granted, but better than Zuhier and Bumli. Who named these nags, the UNT). That was my 7-11-9 ticket.

I also went for 3-6-7, Ty Cobb's lifetime batting average; 7-1-4, Babe Ruth's home run total; 1-6-7, the score of the New York Jets-Baltimore Colts Super Bowl; 5-1-6, the best area code in the country; 4-5-1, the heat at which spontaneous combustion occurs, and 10-4-5, a good time to wake up.

I got hammered. But sometimes it's not if you won or lost, but how you played the game.

My only regret is that I didn't have the chance to utter the two sweetest words ever heard along the rail: "I'm alive!"

ACROSS

- 1 Rogues' gallery photo
- 4 Handel contemporary
- 6 Good
- 12 Henry VIII's sixth wife
- 13 Skin-cream ingredient
- 14 Fabulist of note
- 16 Goya's duchess's duchy
- 17 Goller's warning
- 18 Biosk
- 19 Getz or Laurel
- 20 Overastidious one
- 22 Summer shoe
- 24 Pitcher Maglie
- 25 Raced
- 27 Alloy containing tin
- 32 Didst strike
- 35 Charity
- 38 Role for Shirley
- 39 Callas was one
- 40 Lake's big brother
- 41 Gravy problem
- 42 Revival-meeting shout
- 43 Opposite of giddyap
- 44 Sound heard by a shepherd
- 45 Light
- 47 Martin or Astor
- 48 Fuzzy TV star
- 51 Hindu religious writing
- 55 Comfort for a nycophobe
- 61 Ayatollah's land
- 62 Circa
- 63 Jolity
- 64 Give temporarily
- 65 Uncle Milne
- 66 Attill's followers
- 67 "The _____ is a Tramp"
- 68 Equipment
- 69 Quiz
- 70 What OB's want to gain

© New York Times, edited by Eugene Malachuk.

WEATHER

EUROPE		ASIA		NORTH AMERICA	
HIGH	LOW	HIGH	LOW	HIGH	LOW
Algeria 17-23	10-16	Bangkok 86-92	78-84	Anchorage 4-10	3-9
Austria 17-23	10-16	Beijing 86-92	78-84	Boston 41-47	34-40
Berlin 17-23	10-16	Hong Kong 86-92	78-84	Chicago 41-47	34-40
Bombay 86-92	78-84	Manila 86-92	78-84	Detroit 41-47	34-40
Buenos Aires 86-92	78-84	New Delhi 86-92	78-84	Houston 41-47	34-40
Calcutta 86-92	78-84	Sao Paulo 86-92	78-84	Los Angeles 61-67	54-60
Cairo 86-92	78-84	Singapore 86-92	78-84	London 41-47	34-40
Canton 86-92	78-84	Taipei 86-92	78-84	Madison 41-47	34-40
Cebu 86-92	78-84	Tokyo 86-92	78-84	Memphis 41-47	34-40
Colon 86-92	78-84			Minneapolis 41-47	34-40
Dacca 86-92	78-84			Montreal 41-47	34-40
Dahomey 86-92	78-84			New York 41-47	34-40
Dar es Salaam 86-92	78-84			Philadelphia 41-47	34-40
Davao 86-92	78-84			Pittsburgh 41-47	34-40
Dhaka 86-92	78-84			Portland 41-47	34-40
Durham 86-92	78-84			San Francisco 41-47	34-40
Edinburgh 86-92	78-84			Seattle 41-47	34-40
Geneva 86-92	78-84			St. Louis 41-47	34-40
Hankow 86-92	78-84			Washington 41-47	34-40
Hanoi 86-92	78-84				
Hong Kong 86-92	78-84				
Kobe 86-92	78-84				
London 86-92	78-84				
Lyons 86-92	78-84				
Manila 86-92	78-84				
Medan 86-92	78-84				
Osaka 86-92	78-84				
Paris 86-92	78-84				
Perth 86-92	78-84				
Phnom Penh 86-92	78-84				
Port of Spain 86-92	78-84				
San Francisco 86-92	78-84				
Seoul 86-92	78-84				
Singapore 86-92	78-84				
Sourabaya 86-92	78-84				
Taipei 86-92	78-84				
Tientsin 86-92	78-84				
Yokohama 86-92	78-84				

DENNIS THE MENACE

BOY HOW LONG DOES IT TAKE TO MAKE TOAST IN A DRYER, ANYWAY?

JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

LOBOD
AXTEC
TRIMAN
GARUJA

Answer here: _____

Friday's Jumble: AWFUL PAPER JETSAAN HINDER
Answer: What nepotism means in the field of employment—TO PUT ON "THEIRS"

PEANUTS

HAVEN'T YOU HEARD? THE SCHOOL BOARD HAS CANCELED YOUR CHRISTMAS PLAY...

WHAT?!

IT WAS TOO CONTROVERSIAL.

HOW COULD IT BE CONTROVERSIAL? I DIDN'T EVEN UNDERSTAND IT!

BLONDIE

HONEY, DO YOU REMEMBER THE DAY WE WERE MARRIED?

I SURE DO.

I REMEMBER... THERE WAS NO HORSESHOE PRIME RIB.

HEY, LOOK, WE ALL HAVE OUR PRIORITIES.

BEEBLE BAILEY

WHY WOULD BEEBLE SUDDENLY ASK FOR TRIPLE HELPINGS TONIGHT?

DARNED IF I KNOW.

MMM... MMM... THIS IS DELICIOUS!

HOWS THE DIET, SARGE?

DOONESBURY

MICHAEL: I HAVE A GREAT IDEA! I'M GOING TO PUT HERE.

GIVE ME A BREAK, J.J.! I HAD NO IDEA I WAS BRINGING A BATH HOME.

I DUNNO, I GUESSED BY INTUITION.

ARE YOU SURE THIS IS NO ROOM IN THE GOD?

WELL, THAT'S A FEW MINUTES!

ANDY CAPP

GOOD FLOP!

FAIR, WIFE.

WHAT WERE YOU THINKING?

IT WOULD BE A GREAT CAP AND A RAINY RAINCOAT.

WIZARD of ID

I'M LEAVING HOME TO SEEK MY FORTUNE.

WHAT ABOUT THE LIVESTOCK AND THE BARN?

I ALREADY LOOKED THERE.

REX MORGAN

WHEN DR. MORGAN MAKES HIS EARLY MORNING ROUND AT THE HOSPITAL, HE FINDS A TEARFUL JEFFREY ARIGON WAITING FOR HIM.

AS I SAID, I WOKE UP AT FOUR THIS MORNING. I CALLED THE NURSES STATION AND WHEN THEY TOLD ME VERA WAS OUT OF THE ROOM, I HURRIED OVER HERE. COMA, I HURRIED OVER HERE. I WAS SO HAPPY...

BUT WHEN I SAW HER, I REALIZED SOMETHING WAS WRONG. SHE DIDN'T KNOW ME! SHE GAZED AND BABBLED LIKE A CHILD!

WE'LL JUST HAVE TO GIVE HER A LITTLE TIME, JEFFREY!

GARFIELD

GEE, I CAN'T DECIDE WHETHER TO HAVE SOME PIE OR SOME CAKE.

PIE, GARFIELD? 7-5

HAVE SOME PIE.

Solution to Friday's Puzzle

REALM	LEAR	DIP
ASPIR	ELLA	AGER
STEPHEN	KING	KONG
HEX	BATS	CHORDS
RMS	PHAT	
ELLERY	CONAN	DOE
READY	WILLIE	EVAN
ILYA	LIMES	ARTIE
THE	SALAD	ARTIE
NAROD	ORIN	CEHAL
BEVS	AGE	
ISORDE	ANGE	ABE
DORTS	WRESNIDER	
ALGO	EMIR	TEARS
EYE	MEMO	STYNE

MONDAY SPORTS

Sanders Wins Heisman And Sets Rushing Mark

By Robert McG. Thomas Jr. New York Times Service

NEW YORK — Barry Sanders, the Oklahoma State tailback who was rejected by most coaches as too small to play in a big-time backfield, was the overwhelming winner of the Heisman Trophy as the best player in college football this year.



Barry Sanders

Allen en route to the 1981 Heisman. "I don't think there's any question he's the finest player in college football today," the Oklahoma State coach, Pat Jones, said.

197-pound (89-kilogram) junior who set 12 other rushing and scoring records, outpolled such early-season favorites for the Heisman as Rodney Peete of Southern Cal and Troy Aikman of UCLA, as well as Steve Walsh of Miami and Major Harris of West Virginia. All are quarterbacks.

In the balloting by 721 of the 917 eligible voters (870 writers and broadcasters plus 47 former Heisman winners), Sanders received 1,878 points, including 559 first-place votes. Peete received 912 points and 70 first-place votes. Aikman finished third with 582 points and 31 first-place votes. Walsh got 341 points and 16 first-place votes, and Harris had 280 points and 27 first-place votes.

Sanders, 20, is the first junior to win the award since Herschel Walker in 1982, and only the eighth since it was established by the Downtown Athletic Club in 1935 as a tribute to its first athletic director, John Heisman.

He is the first player to be voted the Heisman on a provisional basis. Under a rule established by the club this year, any winner who showed positive for steroids, amphetamines or cocaine in tests administered this month by the National Collegiate Athletic Association before the bowl games, will be required to return the trophy to the club. If that happens, the award will be declared vacant for the year.

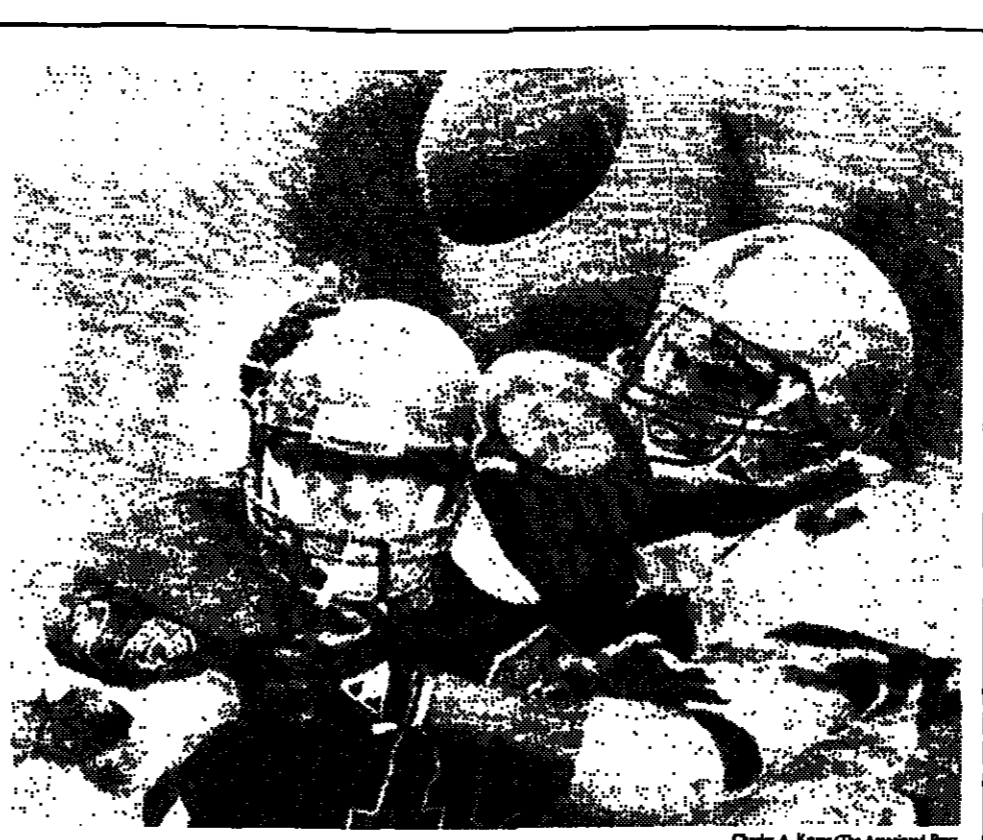
Sanders will be tested before Oklahoma State plays Wyoming in the Holiday Bowl in San Diego on Dec. 30.

Because of the bowl game in Tokyo, CBS made special arrangements for a satellite hookup to have Sanders on camera.

Sanders, who appeared stony-faced, left the studio before the scheduled start of the closed-circuit news conference to get ready for the game.

In keeping with his reputation for piety, Sanders said, "I want to thank God for putting me in this position. I couldn't have it without Him."

Sanders was helped by some stumbles by his major rivals. Aikman, who finished the season with 2,599 yards and 23 touchdowns on 209 completions in 327 attempts, had a poor outing in UCLA's loss to Washington. And Peete, who had 2,654 yards and 18 touchdowns on 208 completions in 338 attempts, faltered in USC's loss to Notre Dame.



Navy quarterback Alton Grizzard, left, flipped the ball to a runner before Ed Givens hit home.

Army Struggles to Beat Navy

Compiled by Our Staff From Dispatches PHILADELPHIA — Army beat Navy as expected Saturday in the 89th football game between

completing two for 30 yards; the Midshipmen threw 15 times, nine on their final possession.

Both teams relied on the run. Navy ran the ball 50 times. Army 65. The Cadets, entering with the nation's third-best rushing attack, averaging 357 yards per game, were held to 246. But they were successful on four of four fourth-down runs.

Syracuse 24, Pittsburgh 7: In Syracuse, New York, tight end Pat Davis turned two short passes from quarterback Todd Philcox into touchdowns for the No. 18-ranked Orange (9-2). But they lost their shutout with 5:30 to play when reserve tailback Adam Walker ran 29 yards for a touchdown for Pitt (6-5).

Miami, Florida, 41, Brigham Young 17: In Miami, Bobby Harner intercepted three passes and Donald Ellis returned an interception 64 yards for a touchdown as the No. 2 Hurricane (10-1) scored 34 points the first half. BYU (8-4) lost for the third time in four games.

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Lasorda Lament: Rats! Those Bureaucrats!

The Associated Press SOUTH PASADENA, Calif. — Los Angeles County health officials shut down a restaurant owned by Tommy Lasorda, manager of the Los Angeles Dodgers, after the Dodgers' World Series championship celebration in October for what one inspector called "one of the worst rat infestations I've ever seen."

Abilio Lopez, a county health inspector, found 43 health code violations just nine days after Lasorda took his team to his restaurant, Tommy Lasorda's Ribs and Pasta, the Los Angeles Herald Examiner reported.

Dirty kitchen equipment, gross contamination of food preparation surfaces and an "active rat infestation" were among the violations.

The restaurant, which was closed on Oct. 26, reopened five days later.

Jim Picola, vice president of the South Pasadena restaurant and a second Lasorda's restaurant in Marina del Rey, denied there was a rat infestation.

"It's not true," Picola said. "I'll tell you right now there was some bureaucracy in there."

L.A. Gets Orioles' Murray For a Shortstop, 2 Pitchers

Compiled by Our Staff From Dispatches

ATLANTA — Eddie Murray was officially traded from the Baltimore Orioles to the Los Angeles Dodgers on Sunday, two days after the teams nearly completed the deal.

For Murray, a seven-time All-Star first baseman, the Orioles were to receive pitchers Ken Howell and Brian Holton and shortstop Juan Bell.

The Dodgers began talking to Baltimore about Murray shortly after winning the World Series. He will be paid \$2 million next season, \$2.2 million in 1990 and \$2.3 million in 1991.

Murray, who will be 33 next season, fills the Dodgers' need for a hard-hitting first baseman. He batted .284 with 28 home runs and 84 runs batted in last year. He is a lifetime .285 hitter.

Elsewhere, the New York Yankees announced Saturday that they had reached agreement with Dave LaPoint, a free-agent left-handed pitcher with the Pittsburgh Pirates,

giving him a three-year, \$2.5 million contract. The 29-year-old left-hander has a 67-66 career record with a 3.81 earned run average.

Also Saturday, the Cleveland Indians signed relief pitcher Jesse Orosco, unwanted by the Los Angeles Dodgers, agreeing to a two-year contract for \$1.675 million. Orosco is 50-49 with a lifetime 2.73 ERA.

On Friday, the Indians also signed another free agent, utility infielder Luis Aguayo of the Yankees, to a one-year contract. He hit .250 in 50 games with the Yankees.

(AP, NYT)

The average baseball salary increased 6.4 percent to a record \$438,729 in 1988, according to figures compiled by the Major League Baseball Players Association. The Association's Press reported.

The Yankees were the highest-paid team, earning a record average of \$718,670. The Chicago White Sox were last at \$226,392.

SCOREBOARD

BASKETBALL

NBA Standings

Table with columns for Eastern Conference (Atlantic, Central, Midwest, Pacific) and Western Conference (Midwest, Pacific) showing team names, wins, losses, and percentages.

Selected College Scores

Table listing scores for various college sports including basketball, football, and tennis.

HOCKEY

NHL Standings

Table showing NHL Standings with columns for teams, wins, losses, points, goals for, and goals against.

FOOTBALL

U.S. College Results

Table listing U.S. College Results for various sports including football, basketball, and tennis.

SOCCER

FRENCH FIRST DIVISION

Table showing French First Division soccer results with columns for teams and scores.

ITALIAN FIRST DIVISION

Table showing Italian First Division soccer results with columns for teams and scores.

WEST GERMAN FIRST DIVISION

Table showing West German First Division soccer results with columns for teams and scores.

TRANSITION

Table showing baseball transition results with columns for player names, teams, and statistics.

Wind Helps Patriots Top Seahawks, 13-7

The Associated Press FOXBORO, Massachusetts — With Robert Perryman scoring on a one-yard drive in the third quarter, the New England Patriots rallied Sunday to beat the Seattle Seahawks 13-7, in a windy National Football League game in which the West Coast team gained just 65 yards and recorded only two first downs, one in each half.

The Patriots (8-6) needed to win to retain a realistic shot at a playoff berth, while the Seahawks were

attempt. Dallas was penalized 17 times for 142 yards. Kneer was 19 of 27 passing without interception.

49ers 13, Falcons 3: In Atlanta, Roger Craig set San Francisco's single season rushing record and Joe Montana passed for 230 yards and one touchdown.

Craig rushed for 103 yards, giving him 1,336 for the year and breaking the team mark of 1,262 set by Wendell Tyler in 1962.

Colts 31, Dolphins 28: In Miami, Eric Dickerson rushed for 169 yards with 31 carries and Indianapolis marched 78 and 90 yards for touchdowns in a 21-point second quarter to hand the home team its fifth straight loss.

The Dolphins' Dan Marino threw his third touchdown pass, a one-yarder to Mark Clayton, with a minute left. But the Colts' Pat Beach recovered the ensuing outside kick.

Lions 36, Packers 14: In Pontiac, Michigan, Devon Mitchell ran back an interception 90 yards, the NFL's longest such return this season, as Detroit took advantage of six Green Bay turnovers.

NFL ROUNDUP

batting to remain tied with the Denver Broncos for first place in the American Conference West.

The Seahawks had taken a 7-6 lead on Dave Krieg's 27-yard pass to Ray Butler after the Patriots' Elton Davis fumbled away the second half kickoff.

Seattle, which gained a season high 459 yards last Monday night, recorded season lows in yards and first downs but avoided the team records of minus seven yards — an NFL mark, too — and one first down that were set against the Los Angeles Rams in 1979.

With the wind-chill factor sinking below freezing, both teams stayed with their running games. The Patriots, who led by 6-0 at halftime on Jason Stavrovsky's two field goals, were more successful, outrunning the Seahawks by 177 yards to 20 and keeping the ball for 41 of the 60 minutes.

Giants 44, Cardinals 7: In East Rutherford, New Jersey, an aching Phil Simms threw two touchdowns, passes to Stacy Robinson as suddenly revitalized New York badly hurt Phoenix's postseason hopes but increased its own.

The Giants' defense swarmed all over quarterback Neil Lomax, back after missing two games with a knee injury. Three weeks ago the Cardinals gained 466 yards in a 24-17 victory; this time Lomax was 9 of 25 passing for 103 yards, while his offense gained 150 yards and turned the ball over five times.

Redskins 20, Eagles 19: In Philadelphia, Chip Lomax's 44-yard field goal for Washington with a second left knocked the Eagles out of a tie with New York for first place in the National Conference East.

Doug Williams, who left the game after the end of the first half with a bruised passing shoulder, returned in the third quarter and finished with 18 completions in 30 passes for 206 yards.

Braves 21, Cowboys 21: In Tampa, Florida, Vinny Testaverde ran four yards for a touchdown and John Carney kicked a 29-yard field goal to upset AFC East champion Buffalo.

Testaverde didn't have a turnover for the first time this season, while the defense played stopped the Bills with a third-quarter goal-line stand and intercepting a pass by Jim Kelly to halt a drive in the final minute.

Bengals 27, Chargers 10: In Cincinnati, Elbert Woods ran for 141 yards, and with two touchdowns rushing, set a team record of 15 to help beat error-prone San Diego as the Bengals clinched their first playoff berth in six years.

The Chargers were called for 97 yards in penalties in the first half, when they had also two touchdowns negated.

Browns 24, Cowboys 21: In Cleveland, Bernie Kosar passed for 308 yards and three touchdowns, two coming less than two minutes apart in the fourth quarter, to send Dallas to a team-record 12th defeat.

The Cowboys' Roger Ruzick had two field goals wiped out by penalties, one a 40-yarder that would have tied the score with 1:38 left. He then was short on a 50-yard

Humble Pie: Kentucky And Indiana

Compiled by Our Staff From Dispatches

INDIANAPOLIS — Two of U.S. college basketball's traditional powers are faltering this season.

Kentucky, under investigation by the National Collegiate Athletic Association, on Saturday suffered its worst defeat by Notre Dame,

and Indiana got its worst beating by Louisville, both coming in the Big Four Classic.

Kevin Ellery led five double-figure scorers with 15 points as Notre Dame beat Kentucky, 81-65. Louisville, ranked No. 13 in The Associated Press poll, won its first game of the season by routing Indiana, 101-79, in the opening game of the doubleheader.

"I'm just as surprised as all of you," said Notre Dame's coach, Digger Phelps. "I just don't know how good we are."

Indiana allowed more than 100 points for the third time in its past four games, but for only the fourth time in Bob Knight's 18 seasons of coaching the Hoosiers.

Indiana had 14 turnovers in the first half against Louisville, with seven coming on nine possessions in the first 3:21.

Fervis Ellison scored 19 points and LaBradford Smith 17 for Louisville, who began their season with two defeats. Indiana fell to 3-3, losing to the Cardinal for the fourth time in their last five meetings.

Duke 86, Northwestern 62: In Durham, North Carolina, Danny Ferry scored 21 points for the No. 1-ranked Blue Devils (4-0). He led a 26-8 lead after eight minutes, with Ferry scoring 12 points. Then he scored four of Duke's last six points of the first half, for a 34-24 margin.

Michigan 104, South Dakota State 66: In Ann Arbor, Michigan, Loy Vaught got 20 of his 24 points for the No. 2 Wolverines (5-0) in the second half and Glen Rice had 23 against the Division II opponent.

Lowry 102, Georgia 76: In Iowa City, Iowa, Roy McCarver scored 27 points for the No. 6 Hawks (4-0), while Alec Kessler got 26 for Georgia (3-2).

Illinois 91, Mississippi 79: In Champaign, Illinois, the No. 7 Illini (3-0) took a 12-0 lead in the first 79 seconds, then won easily as Nick Anderson scored 23 points and Lowell Hamilton got 20 rebounds. Gerald Glass scored 32 points for Mississippi (2-2).

North Carolina 76, Missouri 60: In Charlotte, North Carolina, Rick Fox's 24 points and Kevin Maden's 19 led the No. 10 Tar Heels (6-1) beat the No. 8 Tigers (5-2) for the inaugural Tournament of Champions title.

Arizona 68, Temple 50: In the consolation game of the Charlotte tournament, Anthony Cook scored 21 points and Sean Elliott 18 for the No. 11 Wildcats (2-1). The No. 17 Owls are 0-2 for the first time since 1939.

Georgia Tech 94, George Washington 64: In Washington, D.C., Dennis Scott scored a career-high 31 points for the No. 12 Yellow Jackets. The Colonials are 0-3.

Florida State 104, Florida 86: In Tallahassee, Florida, George McDawson got 31 points and Tony Dawson 21 as the No. 14 Seminoles (3-0) reached 100 points for the third straight game. Wayne Schintz scored 22 for the No. 19 Gators (3-2).

Otto State 77, Western Michigan 66: In Kalamazoo, Michigan, Jay Brunson scored 17 points for the No. 15 Buckeyes (2-1). Mark Brown got 28 for Western Michigan (2-1).

Southern Methodist 59, North Carolina State 57: In Dallas, the No. 16 Wolfpack (2-1) rallied but lost when Rodney Monroe's jumper, which would have tied the score, bounced off the rim at the buzzer. SMU is 1-1.

Villanova 80, Vermont 58: In Philadelphia, Doug West scored 20 of his 22 points in the first half for the No. 18 Wildcats (4-1). He's slightly injured a knee two rimshots into the second half and did not play much afterward. Vermont is 1-3.

(AP, UPI)

PARIS TRANSPORT

WORLD BRIEFS

MILITARY TOUGHENS

LIMIT ON FOREIGNERS

CITIZENS TO LEAVE

WIND HELPS PATRIOTS

TOP SEAHAWKS

